

# EMTHANJENI MUNICIPALITY



## MTREF FINAL BUDGET

2016/2017 FINANCIAL YEAR

9



**FINAL BUDGET OF**  
**EMTHANJENI**  
**MUNICIPALITY**

**2016/17 TO 2018/19**  
**MEDIUM TERM REVENUE AND EXPENDITURE**  
**FORECASTS**

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## Abbreviations and Acronyms

AMR Automated Meter Reading  
ASGISA Accelerated and Shared Growth Initiative  
BPC Budget Planning Committee  
CBD Central Business District  
CFO Chief Financial Officer  
MM Municipality Manager  
CPI Consumer Price Index  
CRRF Capital Replacement Reserve Fund  
DBSA Development Bank of South Africa  
DoRA Division of Revenue Act  
DWA Department of Water Affairs  
EE Employment Equity  
EEDSM Energy Efficiency Demand Side Management  
M Mayor  
FBS Free basic services  
GAMAP Generally Accepted Municipal Accounting Practice  
GDP Gross domestic product  
GDS Gauteng Growth and Development Strategy  
GFS Government Financial Statistics  
GRAP General Recognised Accounting Practice  
HR Human Resources  
HSRC Human Science Research Council  
IDP Integrated Development Strategy  
IT Information Technology  
kℓ kilolitre  
km kilometre  
KPA Key Performance Area  
KPI Key Performance Indicator  
kWh kilowatt  
ℓ litre  
LED Local Economic Development  
MEC Member of the Executive Committee  
MFMA Municipal Financial Management Act  
Programme  
MIG Municipal Infrastructure Grant  
MMC Member of Mayoral Committee  
MPRA Municipal Properties Rates Act  
MSA Municipal Systems Act  
MTEF Medium-term Expenditure Framework  
MTREF Medium-term Revenue and Expenditure Framework  
NERSA National Electricity Regulator South Africa  
NGO Non-Governmental organisations

NKPIs National Key Performance Indicators  
OHS Occupational Health and Safety  
OP Operational Plan  
PBO Public Benefit Organisations  
PHC Provincial Health Care  
PMS Performance Management System  
PPE Property Plant and Equipment  
PPP Public Private Partnership  
PTIS Public Transport Infrastructure System  
RG Restructuring Grant  
RSC Regional Services Council  
SALGA South African Local Government Association  
SAPS South African Police Service  
SDBIP Service Delivery Budget Implementation Plan  
SMME Small Micro and Medium Enterprises





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## **Part 1 – Annual Budget**

# **1.1 Mayor's Budget Speech**

**Budget Speech 2016/17 for the Emthanjeni Municipality, delivered by the Mayor, Clr Siphso T. Sthonga, Council Chambers, De Aar, 31 May 2016**

Speaker  
Chief Whip of the ANC  
Members of the Executive Committee  
Whip of the Democratic Alliance  
Councillors  
Municipal Manager  
Chief Financial Officer and officials  
Members of the Public  
Media Houses  
Leadership from Political Parties  
Ladies and Gentlemen

Good Morning,

The budget speech I will deliver today comes a mere 2 months before 253 municipalities including Emthanjeni Municipality will once again be contested for via municipal elections. The achievements of the ANC in National, Provincial and Local Government are evident in all corners of the country and more specific in the municipal areas of Emthanjeni Municipality. With all these successes that the ANC Lead Council brought to the communities of Emthanjeni we acknowledge that we still need to do more for the communities.

The ANC is the only organisation that continue to exist and championing the struggle to improve the lives of the poor and the marginalised masses of our country.

As sphere of government we have responsibility of responding to the triple challenge faced by our / masses. We need to contribute to the reduction of poverty, inequality and unemployment particularly amongst the youth. We need to address the stewed development we inherit from the Apartheid regime and to improve skills amongst the previously disadvantage names of our people.

Therefore it is very important for me take this opportunity to thank all parties concerned for a very fruitful and progressive term in office that was afforded to me by the great African National Congress.

I would like to thank the ANC for the trust the Party has shown in me to allow me the opportunity to take the helm at Emthanjeni Municipality, to allow me to lead the municipality with all the challenges faced by us colleagues I think we did well. I would also like to thank my fellow councillors this might be the last opportunity for me do so as we are unsure as to whether we will be returning for another term in office, I say proudly colleagues this was the best term Emthanjeni Municipality has completed. Clear examples of this would be the municipality moving away from serial disclaimer status given to us by the Auditor General, the best ANC run municipality in the country, number 9 in the country and being the best run municipality within the Northern Cape. Colleague's there are a few municipal officials



present here but I would just like to give them all around of applause in their absence because without the officials on the ground this would not be possible.

Honourable Speaker, Council, Municipal Manager, Directors, Members of the Public, please allow me to present my inaugural budget speech of the 2016/17 Medium Term Expenditure Framework.

This budget was prepared under the back drop of extensive community participation via the Council Meets the people, Ward Meetings and various consultative meetings with agricultural unions, non-governmental organizations, Sector Departments, Community based organizations to mention a few.

**The following assumptions were crucial and determining factors during the budget process and the preparations of the budget.**

- National Treasury direction or guidelines on budget increases that must be in line with the macro-economic strategy as reflected in the MFMA Budgetary Circular 78 and 79.
- Inflation is just within the Reserve Bank parameter of 6% but it does not really reflect the real price increases on the ground.
- NERSA tariff increase guideline stated that municipalities should budget for increases of 7.64% . The average increment will be as from 01 July 2016 which , will not only have a direct impact on the sale and procurement of electricity but on price hikes in general.
- The current situation at ESKOM is also contributing to the uncertainties and uncontrollable factors experienced by South Africans as a whole.
- Salary increases for the next Financial Year are estimated at 6% as per SALGBC circular.
- The macro- economic outlook impacts not only directly on municipalities but forces municipalities to operate within their budgetary means. Expenditure control will be a major controlling factor for the years to come.

## **FORECASTING OF REVENUE AND EXPENDITURE**

### **1.REVENUE**

#### **1.1. RATES AND TAXES**

- Tariffs will increase and decrease depending on the valuation of the property.
- Conservatively an increment of 6 % for properties is being anticipated, but the main levy driver will be the valuation of properties. Various categories of properties are being levied differently.

#### **1.2. ELECTRICITY**

- Electricity Tariffs will increase on a total average between 7.6% for the block of 0-350 kWh and 7.64% for a consumption of 351 and more KWh as from



01 July 2016 for prepaid and conventional electricity meters. Final approval for electricity tariffs is still outstanding from NERSA.

### **1.3. WATER**

- Water will increase by 6 %.
- All economically active households received 6kl of free and will only be levied from the seventh kilolitre of water.
- Only Indigent Households will be getting the first 8000 liters of water free as it is included their Free Basic Services Basket.

### **1.4. SEWERAGE AND REFUSE REMOVAL**

- Both Tariffs will increase by 6 %.

### **1.5. SECONDARY TARIFFS**

- Secondary Tariffs will increase by  $\pm$  9-10 % for the 2016/2017 financial year.

## **EXPENDITURE**

### **2.1 EMPLOYEE COSTS: SALARIES AND WAGES**

- Salaries and wages has been provided at an increment of 6%

### **2.2 EMPLOYEE COSTS: BENEFIT CONTRIBUTIONS**

- A provision of an average increment of 6 % has been provided

### **2.3 REPAIR AND MAINTENANCE**

- A provision of an average increment of 8 % will provided. This shows Council's commitment to the maintenance of all assets.

### **2.4 BULK PURCHASES**

- Electricity purchases will increase on a weighed average of 7.64 % from 01 July 2016 and water will increase on average by 6 %.

### **2.5 CAPITAL CHARGES**

- Capital Charges will increase due the fleet augmentation primary

### **2.6 GENERAL COSTS**

- A provision of an average increment of 8% will provided.

### **2.7 PROVISION FOR BAD DEBTS**

- A provision of an average increment of 9% has been provided on all budgeted levied revenue.



## **BUDGET ANALYSIS**

- The overall increases during the 2016/2017 and 2017/2018 financial years reflect an annual increment of  $\pm$  4-6% and in 2017/2018 budget year an average increase of 7% will be expected. This is mainly due to the non- allocation of Capital Grant Funding as gazetted in the DORA
- The total tariff increment will be  $\pm$  6% which is in line with the expectations of National Treasury, with the exception of the electricity tariff.
- Electricity tariff increments are as per NERSA's guidelines.
- The general tariff increment between 6-9% is also in line with the current economic data available.
- The Budget is realistic and external or macro-economic factors, as well as micro-economic factors, were taken into consideration. However, the Municipality has no control over these macro conditions that impact very heavily on the operations of the Municipality. These are interest rates, fuel prices, inflation rates, high food prices, unemployment rate, and also statutory levies imposed by National and Provincial Governments, etc.
- The Budget is very much driven by income generation and also focusses on building and maintaining infrastructure development within the Emthanjeni Municipality.
- All budgeted income will be realised through the extensive efforts that will be enforced by the officialdom.
- Strict expenditure mechanisms will be enforced to ensure that the key Strategic Objectives of the Municipality are achieved.
- Budget is in line with the policies of Council, especially directed at the poorest of the poor, with the provision of Free Basic Services to all qualifying Indigent Households.
- Local Economic Development opportunities have been identified in order to provide sustainable LED projects for the communities.
- The Budget is also biased towards the Indigent Households within the Municipality.

Speaker, I table all the Budget related policies and to Council for adoption. It includes the Budget Summary and

- (i) Revised IDP
- (ii) Revised Budget Policy
- (iii) Revised Credit Control Policy
- (iv) Revised Indigent Policy
- (v) Tariff Policy
- (vi) Revised Rates Policy
- (vii) Revised Customer Care Policy



- (viii) Investment and Cash Management Policy
- (ix) Service Delivery and Budget Implementation Plan (SDBIP)
- (x) Revised Supply Chain Management Policy
- (xi) Revised Asset Management Policy

## **CONCLUSION**

The Budget is also income driven and Emthanjeni Municipality is committed to sustainability and improvement of service delivery to all its residents. The various initiatives that Council will be undertaking will mould and cement its mandate to improve the lives of all residents by focussing on the poor and creating an environment conducive to local economic development.

The Budget is prepared under the imperative mandate that it is a realistic budget.





# 1.1.1 Extract of Council Budget Resolutions

10	Munisipaliteit EMTHANJENI Municipality Masipala eDiyala Munisipale Bestuurder/Municipal Manager Vandani Kamasipala
RAADSVERGADERING / COUNCIL MEETING 2016/05/31	
10. NUWE MOSIES / VOORSTELLE / NEW MOTIONS / PROPOSALS	
10.1 FINALE BEGROTING EN HERSIENE GEINTEGREERDE ONTWIKKELINGSPLAN: FINANSIËLE JAAR 2016/2017 MTUR / FINAL BUDGET AND REVISED INTEGRATED DEVELOPMENT PLAN: FINANCIAL YEAR 2016/2017 MTEF (5/1/1/18 & 19/2)	
1. Agtergrond / Background	
<p>In Hoofstuk 4 van die Wet op Munisipale Finansiële Bestuur word die munisipale begrotingsproses duidelik uiteengesit en Artikels 15 tot 27 handel oor die implementering van die jaarlikse begroting.</p> <p>Die Finale Begroting vir 2016/17 word hiermee aan die Raad voorgelê.</p> <p>Artikel 25 en 34 van Hoofstuk 5 van die Stelselswet bepaal dat die Hersiene Geïntegreerde Ontwikkelingsplan ook jaarliks aan die Raad voorgelê moet word vir goedkeuring.</p> <p>Die Hersiene Geïntegreerde Ontwikkelingsplan vir 2016/17 word hiermee aan die Raad voorgelê.</p> <p><i>Chapter 4 of the Municipal Finance Management Act clearly outlines the municipal budget process and Sections 15 to 27 give effect to the implementation of the annual budget.</i></p> <p><i>The Final Budget for 2016/17 is hereby submitted to Council.</i></p> <p><i>In terms of Section 25 and 34 of Chapter 5 of the Systems Act the revised Integrated Development Plan must also be submitted to the Council annually for approval.</i></p> <p><i>The Revised Integrated Development Plan for 2016/17 is hereby submitted to Council.</i></p>	
2. Regsimplikasies / Legal Implications	
<p>Daar is voldoen aan die bepalings van die betrokke artikels in die WMFB en die Stelselswet.</p> <p>Die Konsepbegroting en Hersiene GOP vir 2016/17 is vir 21 dae geadverteer vir openbare kommentaar in die plaaslike koerant, op die munisipale webtuiste, by biblioteke en die munisipale kantore. Geen kommentaar is ontvang rakende die konsep begroting nie.</p> <p><i>The provisions of the relevant sections of the MFMA and Municipal Systems Act were complied with.</i></p> <p><i>The Draft Budget and Revised IDP for 2016/17 was advertised for 21 days for public comment in the local newspaper, on the municipal website, at libraries and the municipal offices. No Comments were received in connection with the Draft Budget.</i></p>	



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RAADSVERGADERING / COUNCIL MEETING  
2016/05/31

**3. Finansiële Implikasies / Financial Implications**

Alle uitgawes aangegaan vanaf 1 Julie 2016 sal in ooreenstemming wees met die goedgekeurde begroting soos bepaal in die WMFB.

*All expenditure incurred from 1 July 2016 will be in accordance with the approved budget as set out in the MFMA.*

**4. Voorgestelde Aanbeveling / Proposed Recommendation**

Dat die Raad die volgende goedkeur:

1. Begrotingsrede van die Burgemeester.

1.1 Die Begroting vir Totale Inkomste vir 2016/2017 wat R240 039 454 bedra.

1.2 Die Begroting vir Totale Kapitaal- en Bedryfsuitgawes vir 2016/2017 wat R244 560 781 bedra, asook aanduidende totale bedrae vir die tydperk van die Mediumtermynuitgaweraamwerk:

1.2.1 Begroting vir Bedryfsuitgawes wat R223 821 534 bedra.

1.2.2 Begroting vir Kapitale Uitgawes wat R20 739 247 bedra.

1.2.3 Aanwendingsbegrotingsposte volgens die regering se finansiële statistiek-funksies.

1.3 Verhoging van tariewe soos per tariefskedule

- (i) Eiendomsbelasting
- (ii) Elektrisiteit
- (iii) Water
- (iv) Vullisverwydering
- (v) Riolerings / Sanitasie
- (vi) Sekondêre Tariewe

1.4 Die Dienslewerings- en Begrotingsimplementeringsplan (DLBIP) vir elke direktoraat, dit wil sê Munisipale Bestuurder, Korporatiewe Dienste, Finansiële Dienste, Gemeenskapsdienste en Infrastruktuurdienste soos uiteengesit in elk van die Sleutelprestasiemetingsaanwysers wat gekoppel is aan die Sleutelprestasie-areas.

1.5 'n Opsomming van die Hersiene Geïntegreerde Ontwikkelingsplan vir 2016/2017 wat gekoppel is aan die begroting soos uiteengesit in die Kapitaalbegroting en Bedryfsbegroting.

Munisipaliteit **EMTHANJENI** Municipality

Masipala eDiyala

Munisipale Bestuurder/Municipal Manager

Umphathi Kamasiyala

2442 De Aar 7000

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RAADSVERGADERING / COUNCIL MEETING  
2016/05/31

2. Ander begrotingsverwante dokumente:

- (a) Begrotingsimplementeringsbeleid
- (b) Hersiene Elendomsbelastingsbeleid
- (c) Hersiene Kredietbeheer- en Skuldinvorderingsbeleid
- (d) Klientediensbeleid
- (e) Hersiene Behoeftighedsbeleid, tesame met die begroting vir gesubsideerde gratis dienste soos water, elektrisiteit, vullisverwydering en riolering
- (f) Hersiene Tariefbeleid vir water, elektrisiteit en ander munisipale dienste
- (g) Beleggingsbeleid en Beleggingskodule
- (h) Hersiene Beleid: Voorsieningskanaalbestuur
- (i) Hersiene Beleid: Reis- en Verblyf
- (j) Batebestuursbeleid
  
- (k) ander sake soos voorgeskryf word in Artikel 17 (1)(a-e)
  - Tabel van toekennings en subsidies ingevolge die Wet op Verdeling van Inkomste
  - Voorgestelde vergoedingsuitgawes per tabel vir-
    - (a) (i) Raadslede
    - (ii) Burgemeester
    - (iii) Speaker
    - (iv) Lede van die Uitvoerende Komitee
    - (v) Ander gewone Raadslede
  
  - (b) (i) Munisipale Bestuurder
  - (ii) Hoof- Finansiële Beampte
  - (iii) Direkteur: Korporatiewe Dienste
  - (iv) Direkteur: Gemeenskapsdienste
  - (v) Direkteur: Infrastruktuurdienste
  - (vi) Ander Artikel 56-bestuurders

*That the Council approve:*

1. The Mayor's Budget Speech.

- 1.1 The Total Revenue Budget for 2016/2017 amounting to R240 039 454
- 1.2 The Total Capital and Operating Budget for 2016/2017 amounting to R244 560 781 and also indicative total amounts for Medium Term Expenditure Framework:
  - 1.2.1 Operating Budget amounting to R223 821 534
  - 1.2.2 Capital Budget amounting to R20 739 247
  - 1.2.3 The appropriation votes as per Government Finance Statistics (GF) Functions
  
- 1.3 Increase in tariffs as per tariff schedule

Munisipaliteit EMTHANJENI Municipality  
~~Masipala eDiyala~~  
Munisipale Bestuurder/Municipal Manager  
Umphathi Kamasipala  
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RAADSVERGADERING / COUNCIL MEETING  
2016/05/31

- (i) Rates and Taxes
- (ii) Electricity
- (iii) Water
- (iv) Refuse
- (v) Sewerage / Sanitation
- (vi) Secondary Tariffs

1.4 The Services Delivery and Budget Implementation Plan (SDBIP) for each directorate i.e. Municipal Manager, Corporate Services, Financial Services, Community Services and Infrastructure Services as set out in each of the key performance measurement indicators which are aligned to the Key Performance Areas.

1.5 A Summary of the Revised Integrated Development Plan for 2016/2017, which is linked to the budget as outlined in the Capital Budget and Operating Budget.

2. Other budget-related documents:

- (a) Budget Implementation Policy
- (b) Revised Property Rates Policy
- (c) Revised Credit Control and Debt Collection Policy
- (d) Customer Care Policy
- (e) Revised Indigent Policy, together with the budget for subsidized free basic services such as water, electricity, refuse and sewerage
- (f) Revised Tariff Policy for water, electricity and other municipal services
- (g) Investment Policy and Schedule of Investments
- (h) Revised Supply Chain Management Policy
- (i) Revised Subsistence and Travel Policy
- (j) Asset Management Policy

(k) other matters as prescribed in Section 17(1)(a-e)

- Grants and subsidies schedule according to Division of Revenue Act (DORA)
- Proposed remuneration expenditure as per schedule for-

- (a) (i) Councillors
  - (ii) Mayor
  - (iii) Speaker
  - (iv) Members of Executive Committee
  - (v) Other Ordinary Councillors

- (b) (i) Municipal Manager
  - (ii) Chief Financial Officer
  - (iii) Director: Corporate Services
  - (iv) Director: Community Services
  - (v) Director: Infrastructure Services
  - (vi) Other Section 56 managers

Munisipaliteit **EMTHANJENI** Municipality  
Masipala eDiyala  
Munisipale Bestuurder/Municipal Manager  
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**5. Kommentaar deur die Rekenpligte Beampte / Artikel 82 van die Strukturewet & Artikel 60 van die Wet op Munisipale Finansiële Bestuur / Comments by the Accounting Officer / Section 82 of the Structures Act & Section 60 of the MFMA**

Die Raad moet die Begroting, Begrotingsbeleide soos hierbo genoem en die Hersiene Geïntegreerde Ontwikkelingsplan vir 2016/2017 goedkeur.

*Council must approve the Budget, Budget Policies set out above and the Revised Integrated Development Plan for 2016/2017.*

**6. Aanhangsel / Attachment**

1. Hersiene Geïntegreerde Ontwikkelingsplan vir 2016/2017 (Opsomming) word aangeheg as RV 1 tot RV 6.
2. Bedrysbegroting vir Inkomste en Uitgawe vir 2016/2017 volgens funksionele klassifikasie (Opsommingsverslag) word aangeheg as RV 7 tot RV 26.
3. Kapitaalprogram word aangeheg as RV 27 tot RV 46.
4. Skedule van Raadslid Toelae en Senior Bestuursvergoeding word aangeheg as RV 47 tot RV 86.
5. Skedule van Beraamde Tariewe word aangeheg as RV 87 tot RV 103.
6. Begrotingsimplementeringsbeleid word aangeheg as RV 104 tot RV 132.
7. Hersiene Eiendomsbelastingsbeleid word aangeheg as RV 133 tot RV 157.
8. Hersiene Kredietbeheer- en Skuldinvorderingsbeleid word aangeheg as RV 158 tot RV 169.
9. Klientediensbeleid word aangeheg as RV 170 tot RV 188.
10. Hersiene Behoeftighedsbeleid en begroting vir gratis basiese dienste word aangeheg as RV 189 tot RV 199.
11. Hersiene Tariefbeleid word aangeheg as RV 200 tot RV 214.
12. Beleggingsbeleid en beleggingskedule word aangeheg as RV 215 tot RV 235.
13. Hersiene Beleid: Voorsieningskanaalbestuur word aangeheg as RV 236 tot RV 304.
14. Hersiene Beleid: Reis- en Verblyf word aangeheg as RV 305 tot RV 313.
15. Batebestuursbeleid word aangeheg as RV 314 tot RV 355.
16. Begrotingsopsomming word aangeheg as RV 356 tot RV 364.
17. Begrotingsaannames word aangeheg as RV 365 tot RV 370.
18. Sleutelbegrotingskwessies word aangeheg as RV 371 tot RV 375.

1. *Revised Integrated Development Plan for 2016/2017 (Summary) is attached as RV 1 to RV 6.*
2. *The Operating Income and Expenditure for 2016/2017 by Classification (Summary Report) is attached as RV 7 to RV 26.*
3. *Capital Programme is attached as RV 27 to RV 46.*

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**RAADSVERGADERING / COUNCIL MEETING**  
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4. *Schedule of Councillor Allowances and Senior Management Remuneration is attached as RV 47 to RV 86.*
5. *Schedule of Estimated Tariffs is attached as RV 87 to RV 103.*
6. *Budget Implementation Policy is attached as RV 104 to RV 132.*
7. *Revised Property Rates Policy is attached as RV 133 to RV 157.*
8. *Revised Credit Control and Debt Collection Policy is attached as RV 158 to RV 169.*
9. *Customer Care Policy is attached as RV 170 to RV 188.*
10. *Revised Indigent Policy and budget for free basic services is attached as RV 189 to RV 199.*
11. *Revised Tariff Policy is attached as RV 200 to RV 214.*
12. *Investment Policy and Schedule of Investments is attached as RV 215 to RV 235.*
13. *Revised Supply Chain Management Policy is attached as RV 236 to RV 304.*
14. *Revised Subsistence and Travel Policy is attached as RV 305 to RV 313.*
15. *Asset Management Policy is attached as RV 314 to RV 355.*
16. *Executive Budget Summary is attached as RV 356 to RV 364.*
17. *Budget Assumptions is attached as RV 365 to RV 370.*
18. *Key Budget Issues is attached as RV 371 to RV 375.*

**7. Besluit van die Raad / Resolution of Council**

**Dat die Raad die volgende goedkeur:**

**1. Begrotingsrede van die Burgemeester.**

**1.3 Die Begroting vir Totale Inkomste vir 2016/2017 wat R240 039 454 bedra.**

**1.4 Die Begroting vir Totale Kapitaal- en Bedryfsuitgawes vir 2016/2017 wat R244 560 781 bedra, asook aanduidende totale bedrae vir die tydperk van die Mediumtermynuitgaweraamwerk:**

**1.2.1 Begroting vir Bedryfsuitgawes wat R223 821 534 bedra.**

**1.2.2 Begroting vir Kapitale Uitgawes wat R20 739 247 bedra.**

**1.2.3 Aanwendingsbegrotingsposte volgens die regering se finansiële statistiek-funksies.**

**1.3 Verhoging van tariewe soos per tariefskedule**

**(i) Eiendomsbelasting**

**(ii) Elektrisiteit**

**(iii) Water**

**(iv) Vullisverwydering**

**(v) Riolering / Sanitasie**

**(vi) Sekondêre Tariewe**

**Munisipaliteit EMTHANJENI Municipality**

**Masipala eDiyala**

**Munisipale Bestuurder/Municipal Manager**

**Umphathi Kamasipala**

**☒42 De Aar 7000**

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RAADSVERGADERING / COUNCIL MEETING  
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1.4 Die Dienslewerings- en Begrotingsimplementeringsplan (DLBIP) vir elke direkteur, dit wil sê Munisipale Bestuurder, Korporatiewe Dienste, Finansiële Dienste, Gemeenskapsdienste en Infrastruktuurdienste soos uiteengesit in elk van die Sleutelprestasiemetingsaanwysers wat gekoppel is aan die Sleutelprestasie-areas.

1.5 'n Opsomming van die Hersiene Geïntegreerde Ontwikkelingsplan vir 2016/2017 wat gekoppel is aan die begroting soos uiteengesit in die Kapitaalbegroting en Bedryfsbegroting.

2. Ander begrotingsverwante dokumente:

- (l) Begrotingsimplementeringsbeleid
- (m) Hersiene Eiendomsbelastingsbeleid
- (n) Hersiene Kredietbeheer- en Skuldinvorderingsbeleid
- (o) Klientediensbeleid
- (p) Hersiene Behoeftigheidsbeleid, tesame met die begroting vir gesubsideerde gratis dienste soos water, elektrisiteit, vullisverwydering en riolering
- (q) Hersiene Tariefbeleid vir water, elektrisiteit en ander munisipale dienste
- (r) Beleggingsbeleid en Beleggingskodule
- (s) Hersiene Beleid: Voorsieningskanaalbestuur
- (t) Hersiene Beleid: Reis- en Verblyf
- (u) Batebestuursbeleid

- (v) ander sake soos voorgeskryf word in Artikel 17 (1)(a-e)
- Tabel van toekennings en subsidies ingevolge die Wet op Verdeling van Inkomste
  - Voorgestelde vergoedingsuitgawes per tabel vir-

- (c) (i) Raadslede
- (ii) Burgemeester
  - (iii) Speaker
  - (iv) Lede van die Uitvoerende Komitee
  - (v) Ander gewone Raadslede

- (d) (i) Munisipale Bestuurder
- (ii) Hoof- Finansiële Beampte
  - (iii) Direkteur: Korporatiewe Dienste
  - (iv) Direkteur: Gemeenskapsdienste
  - (v) Direkteur: Infrastruktuurdienste
  - (vi) Ander Artikel 56-bestuurders

Munisipaliteit EMTHANJENI Municipality

Masipala eDiyala

Munisipale Bestuurder/Municipal Manager

Umphathi Kamasipala

☐42 De Aar 7000

Voorgestel: Raadslid NS Thomas

Gesekondeer: Raadslid GL Nyl

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**RAADSVERGADERING / COUNCIL MEETING**  
2016/05/31

***That the Council approves:***

***1. The Mayor's Budget Speech.***

- 1.3 The Total Revenue Budget for 2016/2017 amounting to R240 039 454***  
***1.4 The Total Capital and Operating Budget for 2016/2017 amounting to R244 560 781 and also indicative total amounts for Medium Term Expenditure Framework:***

***1.2.1 Operating Budget amounting to R223 821 534***

***1.2.2 Capital Budget amounting to R20 739 247***

***1.2.3 The appropriation votes as per Government Finance Statistics (GF) Functions***

Munisipaliteit **EMTHANJENI** Municipality  
Masipala eDiyala  
Munisipale Bestuurder/Municipal Manager  
Umphathi Kamasipala  
☒ 42 De Aar 7000

***1.3 Increase in tariffs as per tariff schedule***

- (i) Rates and Taxes***  
***(ii) Electricity***  
***(iii) Water***  
***(iv) Refuse***  
***(v) Sewerage / Sanitation***  
***(vi) Secondary Tariffs***

- 1.4 The Services Delivery and Budget Implementation Plan (SDBIP) for each directorate i.e. Municipal Manager, Corporate Services, Financial Services, Community Services and Infrastructure Services as set out in each of the key performance measurement indicators which are aligned to the Key Performance Areas.***

- 1.5 A Summary of the Revised Integrated Development Plan for 2016/2017, which is linked to the budget as outlined in the Capital Budget and Operating Budget.***

***2. Other budget-related documents:***

- (a) Budget Implementation Policy***  
***(b) Revised Property Rates Policy***  
***(c) Revised Credit Control and Debt Collection Policy***  
***(d) Customer Care Policy***  
***(e) Revised Indigent Policy, together with the budget for subsidized free basic services such as water, electricity, refuse and sewerage***  
***(f) Revised Tariff Policy for water, electricity and other municipal services***  
***(g) Investment Policy and Schedule of Investments***  
***(h) Revised Supply Chain Management Policy***  
***(i) Revised Subsistence and Travel Policy***  
***(j) Asset Management Policy***

***(k) other matters as prescribed in Section 17(1)(a-e)***

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RAADSVERGADERING / COUNCIL MEETING  
2016/05/31

- Grants and subsidies schedule according to Division of Revenue Act (DORA)
- Proposed remuneration expenditure as per schedule for-

(c) (i) Councillors

- (ii) Mayor
- (iii) Speaker
- (iv) Members of Executive Committee
- (v) Other Ordinary Councillors

(d) (i) Municipal Manager

- (ii) Chief Financial Officer
- (iii) Director: Corporate Services
- (iv) Director: Community Services
- (v) Director: Infrastructure Services
- (vi) Other Section 56 managers

Proposed: Councillor NS Thomas  
Seconded: Councillor GL Nyl

  
\_\_\_\_\_  
VOORSITTER / CHAIRPERSON

2016:06:13  
\_\_\_\_\_  
DATUM / DATE

Munisipaliteit EMTJANJENI Municipality  
Masipala eDiyala  
Munisipale Bestuurder/Municipal Manager  
Umpathini Kamasiyala  
42 De Aar 7000



## Executive Summary Budget 2016/2017 MTEF

### INTRODUCTION

The 2016/2017 MTEF Budget has been prepared from the view point of a zero-budget basis. During the budgeting, a mixed budgeting approach of zero-base, Incremental and ABC method was employed to reach the final budgeted amounts.

A deeply conservative approach has been applied during the process. The cost of rendering the services and the realization of cash revenue were key drivers of the budget.

The Budget drivers should manage these votes effectively. Proper planning and development is of the utmost importance. We must do more with the little we have. Real financial and fiscal discipline is needed for the execution and realization of the MTEF Budget.

### A. CAPITAL BUDGET

#### IDP and linkage of IDP to budget

Emthanjeni Municipality's total direct Draft Capital Budget for 2016/2017 financial year amounts to R20 739 247.

The current linkage of the IDP to the budget amounts to R58 642 247, which includes grants-in-kind of R37 903 000, over which the Municipality has no control.

The total is broken down as follows:

<b>1. Capital Grants</b>	<b>R13 905 250</b>
1.1 Municipal Infrastructure Grant	R10 905 250
1.2 Integrated National Electricity Programme (INEP)	R 3 000 000
<b>2. Own Capital Funding</b>	<b>R 6 833 997</b>
2.1 Resealing and construction of new streets <i>-will be financed from surplus internal funding</i>	R2 800 000
2.2 Machinery and Equipment amounting to	R 962 765
2.3 Building Renovations	R 643 370
2.4 Prepaid Electricity Meters	R 600 000
2.5 Grap Compliance/SCOA Readiness	R1 305 668
2.6 Vehicles	R 220 000
2.7 Other smaller Capital Items	R 302 194
<b>3. Borrowed Capital</b>	<b>R 0</b>
<b>4. CAPITAL GRANTS-IN-KIND</b>	<b>R37 903 000</b>
4.1 Regional Bulk Infrastructure Grant (RBIG) Water	R15 000 000
4.2 Eradication of the Bucket System	R22 903 000



*These grants are administered by the Department of Water and Sanitation. The grant amounts have decreased over the years. The majority of grants allocated over the past financial years, never realized or were taken away or not spent. These grants should directly be allocated to Emthanjeni Municipality so that the Municipality can administer these grants directly. Emthanjeni Municipality has no control over the spending or realization of these grants.*

## **B. OPERATING BUDGET**

### **1. Budgeted Income**

#### **1.1. Total expected Net Rates Income will be R 30 665 305**

- Rates will be levied on the market value of properties as per our municipal valuation roll.
- The Amendment MPRA played a crucial role in calculating the net revenue
- New property categories, such solar renewable energy, have been levied for the first time on 01 July 2015.
- Agricultural properties will be levied according the ratio of 1:0,25 as per MPRA. Further rebates will be granted to agricultural property owners according to the Rates Policy.
- Vacant property and Renewal Energy Property have their own tariffs.

#### **1.2 Other Levied Services contribute almost R114 241 258 to budgeted income**

- 1.2.1 -Electricity amounts to R57 925 365
- 1.2.2 -Water amounts to R27 952 647
- 1.2.3 -Sewerage amounts to R17 968 115
- 1.2.4 -Refuse removal amounts to R10 277 230
- 1.2.5 -Other service charges amount to R117 901.

#### **1.3 Fines will be budgeted for at gross amounts of R6 942 895**

#### **1.4 Licenses and permits will be R2 508 232**

#### **1.5 Rental of facilities and equipment will contribute expected income of R785 723**

#### **1.6 Interest Income will be R1 759 690**

- 1.6.1 External Investments amount to R805 600
- 1.6.2 Interest charged on arrear accounts amounts to R954 090

#### **1.7 Operating Grants and Subsidies amount to R41 210 000**

- 1.7.1 -Equitable Share R33 570 000
- 1.7.2 -ES: Councillor Remuneration R 2 627 000
- 1.7.3 -Finance Management Grant R 1 625 000
- 1.7.4 -EPWP R 1 000 000
- 1.7.5 -Primary Health Subsidy R 1 227 000
- 1.7.6 -Sport Arts & Culture: Library Development R 1 161 000

Since the Municipal Systems Grants have been allocated to the Provincial Government, COGSHTA, we will re-assess our Shared Service Agreement with Pixley ka Seme District Municipality. This is important as the Shared Service Accounts have been paid from the MSIG that the Municipality has received over the years.

#### **1.8 Other Budgeted Revenue R27 194 751**

- Prepaid Electricity Sales of R26 209 506 are included in the other budgeted revenue.



**1.9 Gain from disposal of property, plant and equipment amounts R129 600. The Total Budgeted Revenue (Income) for the 2016/2017 financial year is R240 039 454. The total budgeted income consists of**

1.9.1 Capital Grants	- R 14 602 000
1.9.2 Operating Grants and Subsidies	- R 41 210 000
1.9.3 Borrowed Capital	- R 0
1.9.4 Own generation of budgeted income	- R 184 227 454

**There is an increase in total budgeted income of between 7.5% and 8.1 % in comparison with the previous year.**

**The main reasons for the increase are:**

- (i) All tariffs for Rates and Taxes will increase very conservatively by 6% in comparison with the previous financial year. The Levying of Solar Plants and other forms of Renewable Energy Properties contributed to the budgeted revenue increases.**
- (ii) All tariffs for Water, Sewerage and Refuse will increase very conservatively by 6% in comparison with the previous financial year.**
- (iii) Electricity tariffs will be increased on average by 7.64% but NERSA's final approval is awaited and will have an impact on the final tariffs.**
- (iv) A very cautious and conservative approach was followed during the budget preparations. The current payment patterns of consumers played a crucial role in our budget approach.**
- (v) The Anticipated Budgeted Revenue for the majority of services has increased very marginally and, in some cases, decreased from the previous year. This relates to the current economic conditions that prevail globally, nationally and within Emthanjeni Municipality.**

**The general increment of service tariffs and levies was followed as per MFMA guidelines.**

**The capital budget was divided between direct allocations that Emthanjeni Municipality will receive. The "Grants-in-Kind" are not administered or controlled by the Municipality hence they do not really form part of our Final Budget. However, for completeness it is mentioned in the summary.**

- (vi) The general apathy by the consumers towards non-payment for municipal services was considered when tariff increments were determined. The affordability was also a determining factor when tariff increases were calculated. In the end, the cost of rendering the service outweighed all these important influences.**
- (vii) Continuous credit control mechanisms and the enforcement of credit control policies, together with all budgetary policies, cannot be emphasized enough as it will impact negatively or positively on the operations of the Municipality.**
- (viii) The Budget has been prepared on the basis of sustainable delivery, financial viability and cost effectiveness to render municipal services to its communities, residents and consumers on an ongoing, sustainable and uninterrupted basis.**



## **2. Expenditure**

### **2.1 Salary and wages**

-The total salaries and benefit contributions for the year amount to **R69 837 719** (R66 803 570 in 2015/2016)

-Annual increase of 6 % has been provided as per Collective Wage Agreement as per SALGBC.

-The total salary package includes the salary of all the current personnel and some vacant positions. Not all posts on the approved organogram have been budgeted for in the 2016-2017 financial year. If we have to budget for all the positions, our salary budget will take up more than 70% of the municipal operating budget

-Efficient and effective alignment of staff, should to be undertaken to ensure overall productivity of staff within the Municipality.

The salary budget needs to be monitored as we must really assess the current staff and positions. The productivity of staff needs to be prioritized as much more work must be done on this issue. -

-The salary percentage of the **Operating Budget is 32%** and of the **Total Capital and Operating Budget is +/- 29%**

### **2.2 Councillor Remuneration**

-Councillor remuneration amounts to **R5 046 248** (R4 579 928 in 2015/2016).

-Councillor remuneration received an increase of 7.5% on the current Public Officers Bearers Act, dated December 2015.

-the Councillor remuneration percentage to the total capital and operating budget is +/- 1.6%

*The total salaries and wages, benefit contributions and councillor remuneration is 26% in relation to the total capital and operating budget.*

**2.3 Provision for Bad Debts, Working Capital Reserve decreases to R8 900 685** (R10 229 410 2015/2016).

**2.4 Net Impairment of assets & depreciation estimated at R7 336 936** (R9 248 185 in 2015/2016)

**2.5 Other materials/Repairs and Maintenance total estimates are R16 770 984** (R16 618 102 in 2015/2016) **which is divided between Materials and Contracted Services.**

**2.6 Contracted Services costs are budgeted at R9 845 845** (R10 329 392 in 2015/2016)

**2.7 Capital Charges for interest on loans amounts to R5 468 355** (R3 555 663 in 2015/2016). **The main reason for the almost 200% increase is due to the augmentation of the fleet that will cover the full maintenance lease agreement.**

**2.8 Bulk Purchases for Water and Electricity amounts to R57 122 6233** (R 53 094 484 in 2015/2016). **This increase represents mainly the Eskom's tariff increment of 8% as stated in the MFMA Circular issued by National Treasury. The issue of the remuneration of farmers for the mining of water whether through access or damage should be finalised before the end of the current financial year. An equitable damage cost for all farmers should be determined and concluded before the end of 30 June 2016.**



- 2.9 Operating Grants and Subsidy expenditure amounts to R11 508 854**  
(R11 661 951 in 2015/2016), which is mostly spent on the Indigent Households for the subsidized free basic services provided to approved Indigent Households.
- 2.10 Capital Grants payments amount to R13 905 250.** These amounts are mainly recognized on the income side and also on the expenditure side but exclude the employee costs of the PMU unit.
- 2.11 Capital projects that are financed from own funds amount to R6 833 997**  
(R6 330 541 in 2015/2016).
- 2.12 The ward projects are financed from the repair and maintenance category of R2 400 000.** Each ward has an allocation of R300 000.
- 2.13 Other expenditure amounts to R29 980 893** (R27 852 455 in 2015/2016) and includes some of activities that will take place amongst others:

-Employee Wellness	R1 520 000.
-Audit Fees	R3 321 530
-Telephone	R 958 938
-Departmental Accounts (Water, Electricity, Street lighting, etc.)	R4 018 518
-Fuel and Oil	R3 184 333
-General Valuation Costs	R1 950 000
-Insurance	R1 561 993
-Subsistence and Travel	R1 433 669
-SALGA Membership	R 715 176
-Electrical Rural Pump Costs for Water provision	R1 908 729
-Postage	R 332 161
-Stationery and Printing	R 857 506
-Skills Development and Training	R 425 438
-Security Services	R 2 800 000

The major types of expenditure have been decreased in relation to the previous year. A marginal increment was allocated for those expenditure types that increased. Real budget austerity measures are being introduced to monitor expenditure. Proper planning must be the order of the day when it comes to spending. The "NICE TO HAVES" procurement must be stopped or eliminated as it will not assist the current plans and reserves,

*Strict control mechanisms must be enforced by Budget Drivers. Expenditure must be prioritized. Travelling expenses must be managed properly and only meetings that will add value to the Municipality should be attended by Councillors and Officials of the Municipality.*

*The realization of revenue is the most important basis that will determine the incurring of expenditure. Without actual cash no expenditure can be committed to any plans and programmes.*

2016/2017 is **R244 560 781** which comprises the Operating Budget of **R223 821 534** and the Capital Budget of **R20 739 247**. This represents a total increase of +-4% in the relation to the previous year's Budget. The increase is almost insignificant and it is our attempt to enforce budgetary control. The realization of revenue impacts on the expenditure management.



## **C.Tariff Increments**

**Expected increases in tariffs for the 2016/2017 financial year are set out below:**

### **1. Rates and taxes**

- Residential and Agricultural property tariffs will increase by 6%

The General Valuation Roll will be valid until June 2017. Properties where values increase or decrease will not have a huge impact

- Agricultural properties will be levied at 1:0,25 in relation to residential properties and owners must apply for the rebate of 28% before the end of August 2016.
- Rebates for the elderly: The owner must be at least sixty (65) years of age and total gross monthly income or earnings must not exceed
  - (i) *an amount of R4 900 to qualify for a 50% rates rebate*
  - (ii) *an amount of R5 600 to qualify for a 45% rates rebate*
  - (iii) *an amount of R6 400 to qualify for a 40% rates rebate*
- Mining and Industrial property tariffs will increase more than the other categories. Portions of farms which are exclusively used for renewable or solar energy will be part of this category of properties.

### **2. Electricity**

- All Basic fees will increase by 7.10%
- Household Conventional and Prepaid electricity tariffs will increase as follows (*see tariff schedule*)
  - 1-50 kWh increase by 6.6%
  - 51-350 kWh increase by 7.6%
  - 351 and more kWh units will increase by 7.64%
  - All non-residential electricity consumers tariffs will increase by 7.64%

### **3. Water**

- Basic fee will increase by 6%.
- Water consumption will be increased by 6% in all blocks
- Water will be levied from the first kiloliter consumed for all consumers that are not residential consumers.
- A new block is being introduced for consumers who are consuming more than 45kl.

### **4. Sewerage and Sanitation**

- Tariffs increase by 6%

### **5. Refuse Removal**

- Tariffs increase by 6%



## 6. All other secondary tariffs.

- Tariffs increase by between 9% and 10%

### D. Indigent households

A total of almost 4000 indigent households are expected to receive subsidized services every month. The subsidized services include :

1. Rates	R 0
(the first R28 000 of municipal valuation is exempt from paying rates and taxes)	
2. 50 kWh of electricity	R46. 74
3. Water	R118.48
➤ Basic fee	R69.35
➤ Consumption: 6000 liters (6kl) of water	R30.64
➤ Consumption: 2000 liters (8kl) of water	<u>R18.49</u>
(Policy makes provision that Indigent Households will receive 8kl of water).	
4. Monthly sewerage	R171.71
5. Monthly refuse removal	R107.08

**Total monthly subsidized services to Indigent Households      R444.01**

*Please note: Free Basic services amounts include Value Added Tax (VAT)*

***The re-application by all Indigent Households for Subsidized Services (FBS) can continue and will be processed early in the 2016/2017 financial year. The process needs to be completed by end of June 2016 in order to update our records and registers annually. Auditors are auditing the application process very intensively.***

### E. CONCLUSION

The 2016/2017 Budget is a budget aimed at making services affordable to all consumers. It is a plan to implement the cross-cutting of expenditure. The Budget is testimony to the continuation of the developmental agenda to expand the infrastructure to new and higher levels. It also aims to continue the creation of jobs, fighting poverty and, most of all, ensure that we invest in infrastructure assets of the Emthanjeni Municipality.

The increase of tariffs is mainly focused on affordability and to ensure that we generate all revenue as budgeted. Hence the low increment in operating expenditure and expenditure control that will be sharpened over the next financial year. The actual cost of rendering the service was the determining factor in the calculation of tariffs.

The Council's commitment to create a conducive environment for Investors to invest in the local economy of Emthanjeni Municipality cannot be underestimated. The various economic initiatives are testimony of Council's commitment, readiness and ability to ensure that we continue along the path of the National Development Plan.

The budget is prepared under the auspices and principles provided by the Minister of Finance and the MEC of Finance requiring all sectors of government to ensure that austerity measures are introduced. Sustainable service delivery still takes precedence in this Budget.





## 1.2 Operating Revenue Framework

For Emthanjeni to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times, strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty and socio economic conditions that affect rural areas. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 93 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.
- The recovering of outstanding arrears with the assistance of a debt collection firm.

The following table is a summary of the 2016/17 MTREF (classified by main revenue source): Table 1 Summary of revenue classified by main revenue source

Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>										
<b>Revenue By Source</b>										
Property rates	-	-	-	8 589	8 589	8 589	8 589	10 585	9 756	16 098
Property rates - penalties & collection charges	103	150	170	-	-	-	-	-	-	-
Service charges - electricity revenue	-	-	-	-	-	-	-	1 722	2 028	3 346
Service charges - water revenue	-	-	-	-	-	-	-	2 089	2 460	4 059
Service charges - sanitation revenue	-	-	-	-	-	-	-	1 996	2 351	3 880
Service charges - refuse revenue	-	-	-	-	-	-	-	2 051	2 416	3 986
Service charges - other	428	415	405	240	240	240	240	118	270	445
Rental of facilities and equipment	947	747	1 189	652	652	652	652	786	732	885
Interest earned - external investments	1 595	1 030	950	715	715	715	715	806	854	1 409
Interest earned - outstanding debtors	494	625	646	873	873	873	873	954	1 011	1 669
Dividends received	-	-	-	-	-	-	-	-	-	-
Fines	12 611	17 765	23 011	7 581	7 581	7 581	7 581	6 943	6 935	11 444
Licences and permits	1 201	1 305	1 257	2 099	2 099	2 099	2 099	2 508	2 097	3 460
Agency services	-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational	43 510	45 752	39 550	40 601	40 601	40 601	40 601	41 210	41 753	47 657
Other revenue	-	-	-	-	-	-	-	-	-	-
Gains on disposal of PPE	319	164	979	130	130	130	130	130	139	148
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>61 209</b>	<b>67 953</b>	<b>68 156</b>	<b>61 479</b>	<b>61 479</b>	<b>61 479</b>	<b>61 479</b>	<b>71 897</b>	<b>72 802</b>	<b>98 485</b>

**Table 2 Percentage growth in revenue by main revenue source**

Description	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework					
R thousand	Adjusted Budget	%	Budget Year 2016/17	%	Budget Year +1 2017/18	%	Budget Year +2 2018/19	%
Revenue By Source								
Property rates	27 503	13.25%	30 665	14.09%	30 915	13.76%	51 010	14.62%
Property rates - penalties & collection charges	–	–	–	0.00%	–	0.00%	–	0.00%
Service charges - electricity revenue	53 635	25.85%	56 203	25.83%	59 373	26.42%	97 965	28.07%
Service charges - water revenue	25 411	12.25%	25 864	11.89%	27 170	12.09%	44 830	12.84%
Service charges - sanitation revenue	14 888	7.18%	15 972	7.34%	16 271	7.24%	26 847	7.69%
Service charges - refuse revenue	8 937	4.31%	8 226	3.78%	8 478	3.77%	13 989	4.01%
Service charges - other	240	0.12%	118	0.05%	270	0.12%	445	0.13%
Rental of facilities and equipment	652	0.31%	786	0.36%	732	0.33%	885	0.25%
Interest earned - external investments	715	0.34%	806	0.37%	854	0.38%	1 409	0.40%
Interest earned - outstanding debtors	873	0.42%	954	0.44%	1 011	0.45%	1 669	0.48%
Dividends received	–	–	–	0.00%	–	0.00%	–	0.00%
Fines	7 581	3.65%	6 943	3.19%	6 935	3.09%	11 444	3.28%
Licences and permits	2 099	1.01%	2 508	1.15%	2 097	0.93%	3 460	0.99%
Agency services	–	–	–	0.00%	–	0.00%	–	0.00%
Transfers recognised - operational	40 601	19.57%	41 210	18.94%	41 753	18.58%	47 657	13.65%
Other revenue	24 234	11.68%	27 195	12.50%	28 688	12.77%	47 256	13.54%
Gains on disposal of PPE	130	0.06%	130	0.06%	139	0.06%	148	0.04%
Total Revenue (excluding capital transfers and contributions)	207 497	100%	217 580	100%	224 687	100%	349 014	100%

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise more than ten percentage of the total revenue mix. In the 2016/17 financial year, revenue from rates and services charges totalled R137, 049 million or 62.99 %. This increases to R142, 477 million, and R235, 087 million in the respective financial years of the MTREF. A notable trend is the increase in the total percentage revenue generated from rates and services charges which increases from 4.7 per cent in 2016/17, to 3.8 per cent in 2017/18 and to 39.4 % in 2018/19. This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the demand of electricity due to the various developments taking place in Emthanjeni Municipality. Eskom tariffs for bulk electricity. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Details in this regard are contained in Table 64 MBRR SA1.

The largest source of income is generated from Electricity which totals R56, 203. Property Rates is the second largest revenue source totalling 14.09 per cent or R30, 665 million rand and increases to R51, 010 million by 2018/19. The third largest source is water and it followed by Sewerage revenue realised. The 'other revenue' which consists of various items such as income received from permits and licenses, building plan fees, connection fees, transport fees and advertisement fees. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R41, 210 million in the 2016/17 financial year and steadily increases to R47, 657 million by 2018/19.

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

**Table 3 Operating Transfers and Grant Receipts**

Description	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>									
<b>RECEIPTS:</b>									
<b>Operating Transfers and Grants</b>									
<b>National Government:</b>	<b>37 623</b>	<b>38 493</b>	<b>38 876</b>	<b>39 459</b>	<b>39 459</b>	<b>39 459</b>	<b>38 822</b>	<b>38 586</b>	<b>41 307</b>
Local Government Equitable Share	34 323	34 819	35 342	35 929	35 929	35 929	36 197	36 886	39 607
Finance Management	1 500	1 550	1 600	1 600	1 600	1 600	1 625	1 700	1 700
Municipal Systems Improvement	800	890	934	930	930	930	-	-	-
EPWP Incentive	1 000	1 234	1 000	1 000	1 000	1 000	1 000	-	-
<b>Provincial Government:</b>	<b>1 683</b>	<b>4 912</b>	<b>757</b>	<b>1 142</b>	<b>1 142</b>	<b>1 142</b>	<b>2 388</b>	<b>2 527</b>	<b>2 674</b>
Health subsidy	1 001	1 150	-	-	-	-	1 227	1 288	1 363
Housing	-	458	-	-	-	-	-	-	-
Sport and Recreation	682	679	757	1 142	1 142	1 142	1 161	1 239	1 311
Department of Education	-	235	-	-	-	-	-	-	-
Department of Roads	-	2 389	-	-	-	-	-	-	-
<b>District Municipality:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other grant providers:</b>	<b>-</b>	<b>2 050</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Department of Water Affairs	-	2 050	-	-	-	-	-	-	-
<b>Total Operating Transfers and Grants</b>	<b>39 306</b>	<b>45 455</b>	<b>39 633</b>	<b>40 601</b>	<b>40 601</b>	<b>40 601</b>	<b>41 210</b>	<b>41 113</b>	<b>43 981</b>

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of both Eskom and Water bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

### 1.2.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

Property Rates tariffs increased very conservatively since 2009.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is Excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this rebate, a further R13 000 reduction on the market value of a property will be granted in terms of the Municipality's own Property Rates Policy;
- 28 per cent rebate will be granted on all agricultural properties but must be applied for before 31 August 2016 as per the rates policy.
- Mining and Industrial property will increase higher than the other categories. Portions of farms which are exclusive used for renewable or solar energy will be part of this category of properties.
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy if the market value of their property is R28 000 or less.
- For pensioners a further rebate will be granted upon application and must the criteria as set out in the Rates Policy
- The Municipality may award a 100 per cent grant-in-aid on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2016/17 financial year based on a percentage increases(decreases) from 1 July 2016 is contained below:

**Table 4 Comparison of proposed rates to be levied for the 2016/17 financial year**

Category	Current Tariff (1 July 2015)	Proposed tariff (from 1 July 2016)
	c/R	c/R
Residential properties	0.012860	0,013632
State owned properties	0.016934	0,017950
Business & Guesthouses	0.013396	0,014200
Industrial	0.017415	0,018460
Place of Worship	0.128610	0,013632
Public Benefit Organization	0.012861	0,003408
Mining	0.020344	0,021565
Vacant land	0.032550	0,034503
Farm property where a portion is used for renewable energy generation purpose	0.041000	0,043460

### 1.2.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective by 2015.

Better maintenance of infrastructure, new water provision construction programmes and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability. Emthanjeni Municipality will increase water tariffs by an average of 6 per cent from 1 July 2016. Another block tariff has also been introduced starting from 66 kℓ at R12.41 per kℓ per 30 day period.

Emthanjeni Municipality has undertaken a critical assessment of its capital infrastructure requirements. Regional Bulk Water's assessment indicates that for the extension of water resources in De Aar and Water's current infrastructure is unlikely to sustain its long-term ability to supply water and they had no other choice to upgrade infrastructure, hence the significant increase in the cost of water.

A tariff increase of 6 per cent from 1 July 2016 for water is proposed. This is based on input cost assumptions of between 6 to 15 per cent increase in the cost of bulk water to the water farmers. In addition 6 kℓ water per 30-day period will again be granted free of charge to all households.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

**Table 5 Proposed Water Tariffs**

CATEGORY	CURRENT TARIFFS 2015/16	PROPOSED TARIFFS 2016/17
	Rand per kℓ	Rand per kℓ
<b>RESIDENTIAL</b>		
Basic fee: Residential	57.39	60.83
(i) 1 to 6 kℓ per 30-day period		
(ii) 7 to 15 kℓ per 30-day period	7.65	8.11
(iii) 16 to 30 kℓ per 30-day period	8.69	9.21
(iv) 31 to 45 kℓ per 30-day period	10.13	10.74
(v) 46 - 65 kℓ and more per 30-day period	10.64	11.28
(vi) 66 kℓ and more per 30-day period	10.64	12.41
<b>NON-RESIDENTIAL</b>		
Basic fee: Business	293.16	310.75
(i) 1 to 6 kℓ per 30-day period	4.23	4.48
(ii) 7 to 15 kℓ per 30-day period	7.65	8.11

CATEGORY	CURRENT TARIFFS 2015/16	PROPOSED TARIFFS 2016/17
	Rand per kℓ	Rand per kℓ
(iii) 16 to 30 kℓ per 30-day period	8.69	9.21
(iv) 31 to 45 kℓ per 30-day period	10.13	10.74
(v) 46 - 65 kℓ and more per 30-day period	10.64	11.28
(vi) 66 kℓ and more per 30-day period	10.64	12.41

The following table shows the impact of the proposed increases in water tariffs on the water charges for a single dwelling-house:

**Table 6 Comparison between current water charges and increases (Domestic)**

Monthly consumption kℓ	Current amount Payable R	Proposed amount Payable R	Difference (Increase) R	Percentage change
Basic Fee	57.39	60.83	3.44	6%
6				0%
15	68.85	72.99	4.14	6%
30	130.35	138.15	7.80	6%
45	151.95	161.10	9.15	6%
51	63.84	67.68	3.84	6%
100	521.36	592.27	70.91	11%

The tariff structure of the 2016/17 financial year has changed, by the introduction of a new block tariff as stated above however the tariff structure is still designed to charge higher levels of consumption a higher rate, steadily increasing to a rate of R12.41 per kilolitre for consumption in excess of 66 kℓ per 30 day period.

### **1.2.3 Sale of Electricity and Impact of Tariff Increases**

NERSA has announced the revised bulk electricity pricing structure. A 9.4 per cent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2016.

Considering the Eskom increases, the consumer tariff had to be increased by 7.64% and 8% to offset the additional bulk purchase cost from 1 July 2016. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity.

Registered indigents will again be granted 50 kWh per 30-day period free of charge.

The following table shows the impact of the proposed increases in electricity tariffs on the water charges for domestic customers:

**Table 7 Comparison between current electricity charges and increases (Domestic)**

Monthly consumption kWh	Current amount Payable R	Proposed amount Payable R	Difference (Increase) R	Percentage change
100	90.80	97.73	6.93	7.64%
250	149.68	161.16	11.48	7.64%
500	300.20	323.86	23.66	7.88%
750	350.63	378.68	28.05	8%
1 000	365.85	395.12	29.27	8%
2 000	1447.38	1563.17	115.79	8%

It should further be noted that Emthanjeni Municipality implemented the IBT as required by NERSA. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor). Emthanjeni Municipality has implemented the Incline Block Tariff (IBT) structure since 01 July 2009.

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the municipality. Most of the suburbs and network reticulation was designed or strengthened during the 1980's and 1990's with an expected 20-25 year life-expectancy. The upgrading of the municipality's electricity network has therefore become a strategic priority, especially the substations and transmission lines.

Owing to the high increases in Eskom's bulk tariffs, it is clearly not possible to fund these necessary upgrades through increases in the municipal electricity tariff – as the resultant tariff increases would be unaffordable for the consumers.

#### **1.2.4 Sanitation and Impact of Tariff Increases**

A tariff increase of 6 per cent for sanitation from 1 July 2016 is proposed. This is based on the input cost assumptions related to water. It should be noted that electricity costs contributes approximately between 20 - 30 per cent of waste water treatment input costs. The following factors also contribute to the proposed tariff increase:

- Free sanitation will be applicable to registered indigent households; and
- The network extension and upgrade of exiting purification plants will impact on tariffs over the MTEF period.

The total revenue expected to be generated from rendering this service amounts to R15, 972 million for the 2016/17 financial year.



The following table compares the current and proposed tariffs:

**Table 8 Comparison between current sanitation charges and increases**

CATEGORY	CURRENT TARIFF 2015/16	PROPOSED TARIFF 2016/17
<b>Residential Households</b>	<b>142.10</b>	<b>150.63</b>
<b>Business</b>	<b>198.62</b>	<b>210.54</b>
<b>Government</b>	<b>267.82</b>	<b>283.89</b>

### 1.2.5 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. Considering the deficit, it is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models. The outcomes of this investigation will be incorporated into the next planning cycle.

A 6 per cent increase in the waste removal tariff is proposed from 1 July 2016. Higher increases will not be viable in 2016/17 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services.

The following table compares current and proposed amounts payable from 1 July 2016:

**Table 9 Comparison between current waste removal fees and increases**

Service	CURRENT TARIFFS 2015/16	PROPOSED TARIFFS 2016/17
<b>Tariff per households container per month or part of a month:</b>	<b>88.61</b>	<b>93.93</b>
<b>Tariff per Special refuse removal *</b>	<b>155.07</b>	<b>164.37</b>
<b>Building rubble*</b>	<b>310.16</b>	<b>328.77</b>





### 1.2.6 Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

**Table 10 MBRR Table SA14 – Household bills**

Description	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework			
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Rand/cent</b>							% Incr.			
<b>Monthly Account for Household - 'Middle Income Range'</b>										
<b>Rates and services charges:</b>										
Property rates	637.58	787.75	831.08	880.94	880.94	880.94	6.0%	933.80	989.83	1 049.22
Electricity: Basic levy	104.94	111.24	117.35	131.67	131.67	131.67	8.0%	142.20	147.94	156.82
Electricity: Consumption	977.74	1 042.67	1 119.72	1 256.33	1 256.33	1 256.33	8.0%	1 356.84	1 465.39	1 582.62
Water: Basic levy	49.01	51.96	54.55	57.82	57.82	57.82	6.0%	61.29	64.97	68.87
Water: Consumption	168.96	179.02	187.97	199.25	199.25	199.25	6.0%	211.20	223.87	237.30
Sanitation	118.75	125.86	133.42	142.09	142.09	142.09	6.0%	150.62	159.66	169.24
Refuse removal	74.05	78.49	83.20	88.61	88.61	88.61	6.0%	93.92	99.56	105.53
Other								-	-	-
<b>sub-total</b>	<b>2 131.03</b>	<b>2 376.99</b>	<b>2 527.28</b>	<b>2 756.71</b>	<b>2 756.71</b>	<b>2 756.71</b>	<b>7.0%</b>	<b>2 949.87</b>	<b>3 151.22</b>	<b>3 369.60</b>
VAT on Services	209.08	222.49	237.47	262.61	262.61	262.61		412.61	441.17	471.74
<b>Total large household bill:</b>	<b>2 340.11</b>	<b>2 599.48</b>	<b>2 764.75</b>	<b>3 019.32</b>	<b>3 019.32</b>	<b>3 019.32</b>	<b>11.4%</b>	<b>3 362.48</b>	<b>3 592.39</b>	<b>3 841.34</b>
<b>% increase/decrease</b>		<b>11.1%</b>	<b>6.4%</b>	<b>9.2%</b>	<b>-</b>	<b>-</b>		<b>11.4%</b>	<b>6.8%</b>	<b>6.9%</b>
<b>Monthly Account for Household - 'Affordable Range'</b>										
<b>Rates and services charges:</b>										
Property rates	588.72	596.08	628.87	666.60	666.60	666.60	6.0%	706.60	748.99	793.93
Electricity: Basic levy	104.94	111.24	117.35	131.67	131.67	131.67	8.0%	142.20	147.94	156.82
Electricity: Consumption	653.02	695.21	746.58	837.66	837.66	837.66	8.0%	904.67	977.05	1 055.21
Water: Basic levy	49.01	51.96	54.55	57.82	57.82	57.82	6.0%	61.29	64.97	68.86
Water: Consumption	132.11	140.04	147.04	155.86	155.86	155.86	6.0%	165.21	175.12	185.63
Sanitation	118.75	125.86	133.42	142.09	142.09	142.09	6.0%	150.62	159.65	169.23
Refuse removal	74.05	78.49	83.20	88.61	88.61	88.61	6.0%	93.93	99.56	105.54
Other	-	-	-	-	-	-	-	-	-	-
<b>sub-total</b>	<b>1 720.60</b>	<b>1 798.87</b>	<b>1 911.01</b>	<b>2 080.31</b>	<b>2 080.31</b>	<b>2 080.31</b>	<b>6.9%</b>	<b>2 224.52</b>	<b>2 373.28</b>	<b>2 535.22</b>
VAT on Services	158.46	168.39	179.50	197.92	197.92	197.92		212.14	227.40	243.78
<b>Total small household bill:</b>	<b>1 879.07</b>	<b>1 967.27</b>	<b>2 090.51</b>	<b>2 278.23</b>	<b>2 278.23</b>	<b>2 278.23</b>	<b>7.0%</b>	<b>2 436.66</b>	<b>2 600.68</b>	<b>2 779.00</b>
<b>% increase/decrease</b>		<b>4.7%</b>	<b>6.3%</b>	<b>9.0%</b>	<b>-</b>	<b>-</b>		<b>7.0%</b>	<b>6.7%</b>	<b>6.9%</b>
			<b>0.33</b>	<b>0.43</b>	<b>-1.00</b>	<b>-</b>				
<b>Monthly Account for Household - 'Indigent' Household receiving free</b>										
<b>Rates and services charges:</b>										
Property rates	39.09	40.25	42.46	45.01	45.01	45.01	6.0%	47.71	50.57	53.61
Electricity: Basic levy	-	-	-	-	-	-	-	-	-	-
Electricity: Consumption	32.18	34.05	36.50	40.95	40.95	40.95	8.0%	44.23	47.76	51.59
Water: Basic levy	49.01	51.96	54.55	57.82	57.82	57.82	6.0%	61.29	64.97	68.86
Water: Consumption	-	-	-	-	-	-	-	-	-	-
Sanitation	118.75	125.86	133.42	142.09	142.09	142.09	6.0%	150.62	159.65	169.23
Refuse removal	74.05	78.49	83.20	88.61	88.61	88.61	6.0%	93.93	99.56	105.54
Other	-	-	-	-	-	-	-	-	-	-
<b>sub-total</b>	<b>313.08</b>	<b>330.61</b>	<b>350.13</b>	<b>374.48</b>	<b>374.48</b>	<b>374.48</b>	<b>6.2%</b>	<b>397.78</b>	<b>422.51</b>	<b>448.83</b>
VAT on Services	38.36	40.65	43.07	46.13	46.13	46.13		49.01	52.07	55.33
<b>Total small household bill:</b>	<b>351.43</b>	<b>371.25</b>	<b>393.21</b>	<b>420.61</b>	<b>420.61</b>	<b>420.61</b>	<b>6.2%</b>	<b>446.79</b>	<b>474.58</b>	<b>504.16</b>
<b>% increase/decrease</b>		<b>5.6%</b>	<b>5.9%</b>	<b>7.0%</b>	<b>-</b>	<b>-</b>		<b>6.2%</b>	<b>6.2%</b>	<b>6.2%</b>

### 1.3 Operating Expenditure Framework

Emthanjeni Municipality's expenditure framework for the 2016/17 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plan no budget*.

The following table is a high level summary of the 2016/17 budget and MTREF (classified per main type of operating expenditure):

**Table 11 Summary of operating expenditure by standard classification Item**

Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Expenditure By Type</b>										
Employee related costs	56 449	59 894	66 864	66 804	66 804	66 804	66 804	69 838	74 421	79 869
Remuneration of councillors	3 694	4 157	4 126	4 580	4 580	4 580	4 580	5 046	5 122	5 481
Debt impairment	12 035	53 283	35 712	11 429	10 229	10 229	10 229	8 901	11 786	19 447
Depreciation & asset impairment	69 275	65 214	61 386	9 248	9 248	9 248	9 248	7 337	10 173	16 775
Finance charges	1 758	1 608	1 337	2 556	3 556	3 556	3 556	5 468	6 143	9 731
Bulk purchases	38 781	43 536	47 049	53 094	53 094	53 094	53 094	57 123	60 834	100 377
Other materials	2 056	11 611	11 215	8 648	16 618	16 618	16 618	16 771	18 864	30 971
Contracted services	8 095	7 228	7 800	9 629	10 329	10 329	10 329	9 846	10 565	17 432
Transfers and grants	305	750	225	12 938	11 662	11 662	11 662	–	–	–
Other expenditure	25 409	19 739	21 979	41 969	29 743	29 743	29 743	35 634	38 877	58 106
Loss on disposal of PPE	319	70	744	–	–	–	–	–	–	–
<b>Total Expenditure</b>	<b>218 175</b>	<b>267 088</b>	<b>258 437</b>	<b>220 896</b>	<b>215 864</b>	<b>215 864</b>	<b>215 864</b>	<b>215 964</b>	<b>236 785</b>	<b>338 188</b>

The budgeted allocation for employee related costs for the 2016/17 financial year totals R69, 838 million, which equals 32.34 per cent of the total operating expenditure. Based on the three year collective SALGBC agreement and as per National Treasury Budget Circular 79/2016, salary increases have been factored at a percentage increase of 6.0 per cent for the 2016/17 financial year. As part of the Municipality's cost reprioritization and cash management strategy vacancies only departmental prioritization of critical vacancies within the Municipality has been budgeted for. In addition expenditure against overtime must significantly be managed to reduced costs, with provisions against this budget item only being provided for essential services and other critical functions.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of 93 per cent and the Debt Write-off Policy of the Municipality. For the 2016/17 financial year this amount equates to R8, 901 million and escalates to R19, 447 million by 2018/19. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total a Net of R7, 337 million for the 2016/17 financial and equates to 3.4 per cent of the total operating expenditure. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

Finance charges consist primarily of the repayment of interest on borrowing (cost of capital). Finance charges make up 2, 53 per cent (R5. 468 million) of operating expenditure excluding annual redemption for 2016/17 and increases to R 9 731 million by 2018/19.

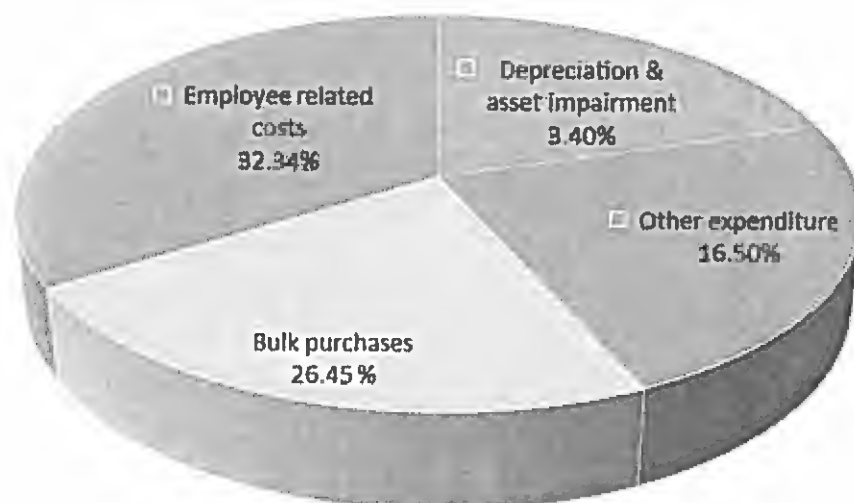
Bulk purchases are directly informed by the purchase of electricity from Eskom and water from Farmers within the municipal boundaries. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. In line with the Municipality's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the Municipality's infrastructure.

Contracted services have been identified as a cost saving area for the Municipality. As part of the compilation of the 2016/17 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2016/17 financial year, this group of expenditure totals R9, 846 million and has increased since last year. For the two outer years growth has been limited to 6.8 and 30.9 per cent. . Further details relating to contracted services can be seen in Table 64 MBRR SA1.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Growth has been limited to 16.5 per cent for 2016/17 and curbed at 8.34 and 33.09 per cent for the two outer years, indicating that significant cost savings have been already realised. Further details relating to contracted services can be seen in Table 64 MBRR SA1.

The following table gives a breakdown of the main operating expenditure categories for the 2016/17 financial year.



**Figure 1 Main operational expenditure categories for the 2016/17 financial year**

### 1.3.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2016/17 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the Municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

**Table 12 Operational repairs and maintenance**

Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand										
<b>Repairs and Maintenance by Expenditure Item</b>										
Employee related costs	-	-	-	-	-	-	-	-	-	-
Other materials	5 675	7 663	7 402	8 648	8 648	8 648	8 648	8 538	9 412	15 485
Contracted Services	2 795	3 948	3 813	7 970	7 970	7 970	7 970	8 233	9 451	15 486
Other Expenditure	-	-	-	-	-	-	-	-	-	-
<b>Total Repairs and Maintenance Expenditure</b>	<b>8 471</b>	<b>11 611</b>	<b>11 215</b>	<b>16 618</b>	<b>16 618</b>	<b>16 618</b>	<b>16 618</b>	<b>16 771</b>	<b>18 864</b>	<b>30 971</b>

*[Handwritten signature]*

During the compilation of the 2016/17 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure and historic deferred maintenance. To this end, materials (repairs and maintenance) were gradually increased by 1.6 per cent in the 2016/17 financial year, from R16, 618 million to R16, 771 million. As part of the 2016/17 MTREF this strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF. The total allocation for 2016/17 equates to R16, 771 million a growth of 1.6 per cent in relation to the Adjustment Budget and continues to grow at 11.1 and 39.09 per cent over the MTREF. In relation to the total operating expenditure, repairs and maintenance comprises of 7.77, 7.66 and 8.76 per cent for the respective financial years of the MTREF.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

**Table 13 Repairs and maintenance per asset class**

Description	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Repairs and Maintenance by Asset Class</b>	<b>8 471</b>	<b>11 611</b>	<b>11 215</b>	<b>16 618</b>	<b>16 618</b>	<b>16 618</b>	<b>16 771</b>	<b>18 864</b>	<b>30 971</b>
Infrastructure - Road transport	1 368	1 277	317	616	616	616	628	562	1 099
Infrastructure - Electricity	1 495	929	1 165	1 342	1 342	1 342	1 545	1 848	2 783
Infrastructure - Water	750	697	689	1 145	1 145	1 145	1 231	1 304	2 152
Infrastructure - Sanitation	712	464	228	64	64	64	66	70	116
Infrastructure - Other	711	1 068	-	1 975	1 975	1 975	-	-	-
Infrastructure	5 036	4 435	2 399	5 143	5 143	5 143	3 470	3 785	6 151
Community	1 626	2 218	3 409	3 098	3 098	3 098	2 037	2 302	4 263
Heritage assets	-	-	-	-	-	-	-	-	-
Investment properties	158	-	-	-	-	-	-	-	-
Other assets	1 651	4 958	5 407	8 377	8 377	8 377	11 264	12 777	20 557

For the 2016/17 financial year, 20 per cent or R3, 470 million of total repairs and maintenance will be spent on infrastructure assets. Electricity infrastructure has received a significant proportion of this allocation totalling 9.2 per cent (R1, 545 million), water infrastructure at 7.3 per cent (R1, 231 million) and road at 3.7 per cent (R0, 628 million). Community assets have been allocated R2, 037 million of total repairs and maintenance equating to 12.15 per cent.

### 1.3.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality Indigent Policy. The target is to register +/- 4 000 indigent households during the 2016/17 financial year, a process reviewed annually by the end of June 2016. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement) on The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

## 1.4 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

**Table 14 2016/17 Medium-term capital budget per vote**

Vote Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Capital expenditure - Vote</b>										
<b>Capital Expenditure - Standard</b>										
<b>Governance and administration</b>	518	878	183	2 056	1 726	1 726	1 726	1 873	2 046	3 291
Executive and council	86	585	9	159	89	89	89	137	147	157
Budget and treasury office	432	172	49	1 369	1 369	1 369	1 369	1 385	1 528	2 521
Corporate services	-	120	125	528	268	268	268	350	371	612
<b>Community and public safety</b>	1 194	778	179	657	557	557	557	434	447	699
Community and social services	856	63	134	307	207	207	207	296	284	469
Sport and recreation	42	1	-	261	261	261	261	75	65	68
Public safety	294	-	-	88	88	88	88	63	98	162
Housing	2	714	45	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	2 048	15 901	-	11 737	11 737	11 737	11 737	4 200	14 417	15 261
Planning and development	5	500	-	12	12	12	12	-	13	22
Road transport	2 043	15 401	-	11 724	11 724	11 724	11 724	4 200	14 404	15 239
Environmental protection	-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>	9 960	3 995	13 833	52 895	5 102	5 102	5 102	14 232	3 494	2 756
Electricity	3 145	2 314	-	6 726	2 100	2 100	2 100	5 400	2 815	2 049
Water	6 815	1 681	13 833	10 180	180	180	180	7 822	500	350
Waste water management	-	-	-	35 958	2 791	2 791	2 791	981	145	300
Waste management	-	-	-	31	31	31	31	29	34	56
<b>Other</b>	-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Standard</b>	13 721	21 552	14 194	67 344	19 121	19 121	19 121	20 739	20 405	22 006
<b>Funded by:</b>										
National Government	12 139	15 313	13 833	55 958	12 791	12 791	12 791	13 905	13 711	13 118
Provincial Government	-	-	-	-	-	-	-	-	-	-
District Municipality	-	-	-	-	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	12 139	15 313	13 833	55 958	12 791	12 791	12 791	13 905	13 711	13 118
<b>Public contributions &amp; donations</b>	-	-	-	-	-	-	-	-	-	-
<b>Borrowing</b>	-	-	-	5 046	-	-	-	-	-	-
<b>Internally generated funds</b>	1 582	6 239	362	6 341	6 331	6 331	6 331	6 834	6 694	8 888
<b>Total Capital Funding</b>	13 721	21 552	14 194	67 344	19 121	19 121	19 121	20 739	20 405	22 006

For 2016/17 an amount of R20, 739 million has been budgeted for the development of assets. Infrastructure Assets represents 67.05 per cent of the total capital budget. In the outer years this amount totals R13, 711 million, 67.19 per cent and R13, 118 million, 59.61 per cent respectively for each of the financial years. Water department receives the highest allocation of R7, 822 million followed by Electricity of R5, 400 million in 2016/17 financial years. Roads will receive the highest allocation in 2017/18 as well as in 2018/19, this will amount to R14, 404 and R15, 239 respectively.

Further detail relating to asset classes and proposed capital expenditure is contained in Table 26 MBRR A9 (Asset Management). In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class. Some of the salient projects to be undertaken over the medium-term includes, amongst others:

## 1.5 Annual Budget Tables - Emthanjeni Municipality

The following eighteen pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2016/17 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

NC073 Emtharjeni - Table A1 Budget Summary										
Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Financial Performance</b>										
Property rates	17 323	21 185	22 075	27 503	27 503	27 503	27 503	30 665	30 915	51 010
Service charges	79 889	91 655	97 741	108 111	103 111	103 111	103 111	106 383	111 562	184 077
Investment revenue	1 595	1 030	950	715	715	715	715	806	854	1 409
Transfers recognised - operational	43 510	45 752	39 550	40 601	40 601	40 601	40 601	41 210	41 753	47 657
Other own revenue	21 721	23 829	34 337	34 768	35 568	35 568	35 568	38 515	39 603	64 861
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>164 039</b>	<b>183 452</b>	<b>194 653</b>	<b>211 697</b>	<b>207 497</b>	<b>207 497</b>	<b>207 497</b>	<b>217 580</b>	<b>224 687</b>	<b>349 014</b>
Employee costs	56 449	59 894	66 864	66 804	66 804	66 804	66 804	69 838	74 421	79 859
Remuneration of councillors	3 694	4 157	4 126	4 580	4 580	4 580	4 580	5 046	5 122	5 481
Depreciation & asset impairment	69 275	65 214	61 386	9 248	9 248	9 248	9 248	7 337	10 173	16 775
Finance charges	1 758	1 608	1 337	2 556	3 556	3 556	3 556	5 468	6 143	9 731
Materials and bulk purchases	40 837	55 146	58 263	61 743	69 713	69 713	69 713	73 894	79 698	131 348
Transfers and grants	305	750	225	12 938	11 662	11 662	11 662	-	-	-
Other expenditure	45 858	80 320	66 235	63 028	50 302	50 302	50 302	54 381	61 228	94 985
<b>Total Expenditure</b>	<b>218 175</b>	<b>267 088</b>	<b>258 437</b>	<b>220 896</b>	<b>215 864</b>	<b>215 864</b>	<b>215 864</b>	<b>215 964</b>	<b>236 785</b>	<b>338 188</b>
<b>Surplus/(Deficit)</b>	<b>(54 137)</b>	<b>(83 636)</b>	<b>(63 784)</b>	<b>(9 199)</b>	<b>(8 367)</b>	<b>(8 367)</b>	<b>(8 367)</b>	<b>1 616</b>	<b>(12 098)</b>	<b>10 827</b>
Transfers recognised - capital	11 451	13 102	14 694	56 565	13 398	13 398	13 398	14 602	14 342	13 798
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(42 686)</b>	<b>(70 534)</b>	<b>(49 091)</b>	<b>47 366</b>	<b>5 031</b>	<b>5 031</b>	<b>5 031</b>	<b>16 218</b>	<b>2 244</b>	<b>24 625</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>(42 686)</b>	<b>(70 534)</b>	<b>(49 091)</b>	<b>47 366</b>	<b>5 031</b>	<b>5 031</b>	<b>5 031</b>	<b>16 218</b>	<b>2 244</b>	<b>24 625</b>
<b>Capital expenditure &amp; funds sources</b>										
Capital expenditure	13 721	21 552	14 194	67 344	19 121	19 121	19 121	20 739	20 405	22 006
Transfers recognised - capital	12 139	15 313	13 833	55 958	12 791	12 791	12 791	13 905	13 711	13 118
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	5 046	-	-	-	-	-	-
Internally generated funds	1 582	6 239	362	6 341	6 331	6 331	6 331	6 834	6 694	8 888
<b>Total sources of capital funds</b>	<b>13 721</b>	<b>21 552</b>	<b>14 194</b>	<b>67 344</b>	<b>19 121</b>	<b>19 121</b>	<b>19 121</b>	<b>20 739</b>	<b>20 405</b>	<b>22 006</b>
<b>Financial position</b>										
Total current assets	139 835	121 847	125 401	109 842	99 318	99 318	99 318	110 700	112 071	110 653
Total non current assets	976 067	932 000	883 982	944 097	946 897	946 897	946 897	937 687	940 181	943 923
Total current liabilities	40 848	42 302	45 643	33 313	33 327	33 327	33 327	31 639	31 717	32 018
Total non current liabilities	52 267	52 911	54 198	67 490	63 471	63 471	63 471	36 071	37 737	38 544
Community wealth/Equity	1 022 787	958 633	909 543	953 136	949 417	949 417	949 417	980 677	982 798	984 014
<b>Cash flows</b>										
Net cash from (used) operating	16 875	12 659	14 269	55 260	25 550	25 550	25 550	23 890	19 204	22 582
Net cash from (used) investing	(13 186)	(20 562)	(13 008)	(59 374)	(18 967)	(18 967)	(18 967)	(20 610)	(20 266)	(21 858)
Net cash from (used) financing	(2 275)	(2 504)	(2 777)	1 096	(894)	(894)	(894)	(590)	90	71
<b>Cash/cash equivalents at the year end</b>	<b>10 640</b>	<b>233</b>	<b>(1 283)</b>	<b>606</b>	<b>4 407</b>	<b>4 407</b>	<b>4 407</b>	<b>1 706</b>	<b>734</b>	<b>1 529</b>
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	10 654	254	(1 257)	11 503	4 407	4 407	4 407	1 734	763	1 558
Application of cash and investments	(21 650)	(10 300)	(11 391)	(11 624)	(11 666)	(11 666)	(11 666)	(12 363)	(12 358)	(4 752)
<b>Balance - surplus (shortfall)</b>	<b>32 304</b>	<b>10 554</b>	<b>10 134</b>	<b>23 127</b>	<b>16 073</b>	<b>16 073</b>	<b>16 073</b>	<b>14 097</b>	<b>13 121</b>	<b>6 311</b>
<b>Asset management</b>										
Asset register summary (WDV)	975 957	931 972	883 952	935 454	935 454	935 454	937 575	937 575	940 067	943 807
Depreciation & asset impairment	69 275	65 214	61 386	9 248	9 248	9 248	7 337	7 337	10 173	16 775
Renewal of Existing Assets	5 437	9 253	362	11 386	6 331	6 331	6 747	7 792	7 792	8 888
Repairs and Maintenance	8 471	11 611	11 215	16 618	16 618	16 618	16 771	16 771	18 864	30 971
<b>Free services</b>										
Cost of Free Basic Services provided	-	-	-	-	-	-	7 858	7 858	9 255	15 270
Revenue cost of free services provided	-	-	-	8 589	8 589	8 589	11 712	11 712	10 951	17 365
<b>Households below minimum service level</b>										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	0	1	19	0	0	0	0	0	0	0
Energy:	0	1	1	1	1	1	1	1	1	1
Refuse:	-	-	-	-	-	-	-	-	-	-

## Explanatory notes to MBRR Table A1 - Budget Summary

- Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).

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2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
  - a. The operating surplus/(deficit) (after Total Expenditure) is positive over the MTREF
  - b. Capital expenditure is balanced by capital funding sources, of which
    - (i) Transfers recognised is reflected on the Financial Performance Budget;
    - (ii) Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the adopted policies. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back will be achieved by 2016/17, when a small surplus is reflected.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs. It is anticipated that by 2016/17 the free basic water will remain at 8kl for Indigent Households.





**Table 15 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

NC073 Emthanjeni - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)										
Standard Classification Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Revenue - Standard</b>										
<b>Governance and administration</b>		41 938	43 770	43 011	46 348	46 348	46 348	51 180	50 723	75 457
Executive and council		5 410	5 639	5 537	3 335	3 335	3 335	4 295	4 090	6 673
Budget and treasury office		36 485	38 083	37 390	42 932	42 932	42 932	46 801	46 545	68 638
Corporate services		42	48	84	80	80	80	84	89	146
<b>Community and public safety</b>		17 260	21 917	25 486	10 229	10 229	10 229	11 325	11 072	16 774
Community and social services		1 394	1 435	1 516	1 844	1 844	1 844	1 942	1 987	2 545
Sport and recreation		355	171	112	114	114	114	123	131	216
Public safety		14 291	19 281	23 180	8 232	8 232	8 232	7 991	7 623	12 578
Housing		1 220	1 031	678	39	39	39	41	44	72
Health		-	-	-	-	-	-	1 227	1 288	1 363
<b>Economic and environmental services</b>		5 939	14 819	11 044	13 110	13 110	13 110	3 816	2 832	16 430
Planning and development		746	1 235	897	3 395	3 395	3 395	1 610	1 691	2 429
Road transport		5 193	13 584	10 147	9 715	9 715	9 715	2 207	1 141	14 001
Environmental protection		-	-	-	-	-	-	-	-	-
<b>Trading services</b>		110 352	116 048	129 806	198 576	151 209	151 209	165 860	174 401	254 152
Electricity		52 352	60 590	66 606	83 494	79 994	79 994	90 239	92 542	148 572
Water		29 792	25 603	25 602	41 211	30 511	30 511	38 471	44 173	50 953
Waste water management		17 737	18 167	19 576	59 345	26 178	26 178	24 322	24 330	35 408
Waste management		10 472	11 687	18 021	14 526	14 526	14 526	12 828	13 356	19 218
<b>Other</b>	4	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Standard</b>	2	175 490	196 554	209 347	268 262	220 895	220 895	232 182	239 029	362 812
<b>Expenditure - Standard</b>										
<b>Governance and administration</b>		38 789	44 755	44 414	46 086	45 463	45 463	48 553	53 437	68 877
Executive and council		15 139	15 360	16 148	13 292	12 819	12 819	14 054	15 904	16 959
Budget and treasury office		14 896	18 325	17 363	20 440	20 290	20 290	21 982	23 037	31 844
Corporate services		8 755	11 069	10 902	12 354	12 354	12 354	12 518	14 496	20 074
<b>Community and public safety</b>		23 420	40 283	41 685	29 011	29 085	29 085	29 417	32 178	41 078
Community and social services		5 895	19 743	25 058	11 629	11 758	11 758	11 849	13 307	16 510
Sport and recreation		3 299	3 714	4 142	4 162	4 167	4 167	4 654	5 039	6 209
Public safety		9 304	12 122	8 026	10 818	10 758	10 758	10 367	11 047	15 094
Housing		4 843	4 630	4 452	2 218	2 218	2 218	2 400	2 586	2 936
Health		79	75	7	183	183	183	148	199	329
<b>Economic and environmental services</b>		16 697	39 053	38 419	27 157	27 163	27 163	28 440	29 888	40 412
Planning and development		6 051	18 450	19 447	10 663	10 670	10 670	12 162	11 902	15 039
Road transport		10 646	20 604	18 972	16 493	16 493	16 493	16 278	17 987	25 372
Environmental protection		-	-	-	-	-	-	-	-	-
<b>Trading services</b>		137 979	141 376	132 297	117 903	113 414	113 414	108 815	120 518	186 801
Electricity		74 911	79 689	79 852	69 900	69 476	69 476	71 539	77 266	123 871
Water		26 484	32 710	28 399	15 894	14 794	14 794	12 906	15 480	24 066
Waste water management		16 377	15 771	12 790	16 925	15 060	15 060	12 936	15 046	22 402
Waste management		20 206	13 206	11 255	15 184	14 084	14 084	11 435	12 726	16 462
<b>Other</b>	4	1 290	1 621	1 623	739	739	739	738	763	1 020
<b>Total Expenditure - Standard</b>	3	218 175	267 088	258 437	220 896	215 864	215 864	215 964	236 785	338 188
<b>Surplus/(Deficit) for the year</b>		(42 686)	(70 534)	(49 091)	47 366	5 031	5 031	16 218	2 244	24 625

**Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 14 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water and Waste water functions, but not the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Corporate Services.

**Table 16 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

NC073 Emthanjani - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)										
Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Revenue by Vote</b>	1									
Vote 1 - EXECUTIVE AND COUNCIL		5 410	5 639	5 537	3 335	3 335	3 335	4 295	4 090	6 673
Vote 2 - FINANCE AND ADMINISTRATION		36 528	38 131	37 474	43 012	43 012	43 012	46 885	46 634	68 784
Vote 3 - PLANNING AND DEVELOPMENT		746	1 235	897	3 395	3 395	3 395	1 610	1 691	2 429
Vote 4 - HEALTH		-	-	-	-	-	-	1 227	1 288	1 363
Vote 5 - COMMUNITY AND SOCIAL SERVICES		1 394	1 435	1 516	1 844	1 844	1 844	1 942	1 987	2 545
Vote 6 - PUBLIC SAFETY		14 291	19 281	23 180	8 232	8 232	8 232	7 991	7 623	12 578
Vote 7 - SPORT AND RECREATION		355	171	112	114	114	114	123	131	216
Vote 8 - ROAD TRANSPORT		5 193	13 584	10 147	9 715	9 715	9 715	2 207	1 141	14 001
Vote 9 - OTHER		-	-	-	-	-	-	-	-	-
Vote 10 - HOUSING SERVICES		1 220	1 031	678	39	39	39	41	44	72
Vote 11 - WASTE MANAGEMENT		10 472	11 687	18 021	14 526	14 526	14 526	12 828	13 356	19 218
Vote 12 - WASTE WATER MANAGEMENT		17 737	18 167	19 576	59 345	26 178	26 178	24 322	24 330	35 408
Vote 13 - ELECTRICITY		52 352	60 590	66 606	83 494	79 994	79 994	90 239	92 542	148 572
Vote 14 - WATER		29 792	25 603	25 602	41 211	30 511	30 511	38 471	44 173	50 953
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	2	175 490	196 554	209 347	268 262	220 895	220 895	232 182	239 029	362 812
<b>Expenditure by Vote to be appropriated</b>	1									
Vote 1 - EXECUTIVE AND COUNCIL		15 139	15 360	16 148	13 292	12 819	12 819	14 054	15 904	16 959
Vote 2 - FINANCE AND ADMINISTRATION		23 650	29 395	28 265	32 794	32 644	32 644	34 499	37 532	51 918
Vote 3 - PLANNING AND DEVELOPMENT		6 051	18 450	19 447	10 663	10 670	10 670	12 162	11 902	15 039
Vote 4 - HEALTH		79	75	7	183	183	183	148	199	329
Vote 5 - COMMUNITY AND SOCIAL SERVICES		5 895	19 743	25 058	11 629	11 758	11 758	11 849	13 307	16 510
Vote 6 - PUBLIC SAFETY		9 304	12 122	8 026	10 818	10 758	10 758	10 367	11 047	15 094
Vote 7 - SPORT AND RECREATION		3 299	3 714	4 142	4 162	4 167	4 167	4 654	5 039	6 209
Vote 8 - ROAD TRANSPORT		10 646	20 604	18 972	16 493	16 493	16 493	16 278	17 987	25 372
Vote 9 - OTHER		1 290	1 621	1 623	739	739	739	738	763	1 020
Vote 10 - HOUSING SERVICES		4 843	4 630	4 452	2 218	2 218	2 218	2 400	2 586	2 936
Vote 11 - WASTE MANAGEMENT		20 206	13 206	11 255	15 184	14 084	14 084	11 435	12 726	16 462
Vote 12 - WASTE WATER MANAGEMENT		16 377	15 771	12 790	16 925	15 060	15 060	12 936	15 046	22 402
Vote 13 - ELECTRICITY		74 911	79 689	79 852	69 900	69 476	69 476	71 539	77 266	123 871
Vote 14 - WATER		26 484	32 710	28 399	15 894	14 794	14 794	12 906	15 480	24 066
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	2	218 175	267 088	258 437	220 896	215 864	215 864	215 964	236 785	338 188
<b>Surplus/(Deficit) for the year</b>	2	(42 686)	(70 534)	(49 091)	47 366	5 031	5 031	16 218	2 244	24 625

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**Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

- Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for the electricity and water trading services.

**Table 17: Surplus/(Deficit) calculations for the trading services**

Vote Description	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>									
<b>ELECTRICITY</b>									
Total Revenue (including capital transfers and contributions)	52 352	60 590	66 606	83 494	79 994	79 994	90 239	92 542	148 572
Operational Expenditure	74 911	79 689	79 852	69 900	69 476	69 476	71 539	77 266	123 871
Surplus/(Deficit)	(22 559)	(19 099)	(13 245)	13 593	10 517	10 517	18 700	15 276	24 701
Percentage Surplus/Deficit	-43.1%	-31.5%	-19.9%	16.3%	13.1%	13.1%	20.7%	16.5%	16.6%
<b>WATER</b>									
Total Revenue (including capital transfers and contributions)	29 792	25 603	25 602	41 211	30 511	30 511	38 471	44 173	50 953
Operational Expenditure	26 484	32 710	28 399	15 894	14 794	14 794	12 906	15 480	24 066
Surplus/(Deficit)	3 308	(7 106)	(2 797)	25 317	15 717	15 717	25 565	28 693	26 887
Percentage Surplus/Deficit	11.1%	-27.8%	-10.9%	61.4%	51.5%	51.5%	66.5%	65.0%	52.8%

- The electricity trading surplus increases over the 2016/17 MTREF in terms of rand value but decreases in terms of percentage surplus, from 20.71 per cent to 16.6 per cent or R18, 700 million to R24, 701 throughout the MTREF. This is primarily as a result of capital projects and grants as well as the high increases in Eskom bulk purchases and the tariff setting policy of the municipality to buffer the impact of these increases on individual consumers.
- The surplus on the water account remains positive over the MTREF translating into a surplus of 66 per cent, 65 per cent and 52 per cent for each of the respective financial years. The surplus excludes the capital expenditure that will be incur during the 2016/17 financial year.
- Note that the surpluses on these trading accounts are utilised as an internal funding source for the capital programme for asset renewal, refurbishment and the development of new asset infrastructure, *and are not used to cross-subsidise other municipal services.*

**Table 18 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)**

NC073 Emthanjeni - Table A4 Budgeted Financial Performance (revenue and expenditure)											
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Revenue By Source</b>											
Property rates	2	17 220	21 035	21 905	27 503	27 503	27 503	27 503	30 665	30 915	51 010
Property rates - penalties & collection charges		103	150	170	-	-	-	-	-	-	-
Service charges - electricity revenue	2	48 279	56 488	59 935	57 935	53 635	53 635	53 635	56 203	59 373	97 965
Service charges - water revenue	2	16 439	18 746	20 888	26 111	25 411	25 411	25 411	25 864	27 170	44 830
Service charges - sanitation revenue	2	9 421	10 302	10 691	14 888	14 888	14 888	14 888	15 972	16 271	26 847
Service charges - refuse revenue	2	5 323	5 705	5 822	8 937	8 937	8 937	8 937	8 226	8 478	13 989
Service charges - other		428	415	405	240	240	240	240	118	270	445
Rental of facilities and equipment		947	747	1 189	652	652	652	652	786	732	885
Interest earned - external investments		1 595	1 030	950	715	715	715	715	806	854	1 409
Interest earned - outstanding debtors		494	625	646	873	873	873	873	954	1 011	1 669
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		12 611	17 765	23 011	7 581	7 581	7 581	7 581	6 943	6 935	11 444
Licences and permits		1 201	1 305	1 257	2 099	2 099	2 099	2 099	2 508	2 097	3 460
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational		43 510	45 752	39 550	40 601	40 601	40 601	40 601	41 210	41 753	47 657
Other revenue	2	6 148	3 223	7 256	23 434	24 234	24 234	24 234	27 195	28 688	47 256
Gains on disposal of PPE		319	164	979	130	130	130	130	130	139	148
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>164 039</b>	<b>183 452</b>	<b>194 653</b>	<b>211 697</b>	<b>207 497</b>	<b>207 497</b>	<b>207 497</b>	<b>217 580</b>	<b>224 687</b>	<b>349 014</b>
<b>Expenditure By Type</b>											
Employee related costs	2	56 449	59 894	66 864	66 804	66 804	66 804	66 804	69 838	74 421	79 869
Remuneration of councillors		3 694	4 157	4 126	4 580	4 580	4 580	4 580	5 046	5 122	5 481
Debt impairment	3	12 035	53 283	35 712	11 429	10 229	10 229	10 229	8 901	11 786	19 447
Depreciation & asset impairment	2	69 275	65 214	61 386	9 248	9 248	9 248	9 248	7 337	10 173	16 775
Finance charges		1 758	1 608	1 337	2 556	3 556	3 556	3 556	5 468	6 143	9 731
Bulk purchases	2	38 781	43 536	47 049	53 094	53 094	53 094	53 094	57 123	60 834	100 377
Other materials	8	2 056	11 611	11 215	8 648	16 618	16 618	16 618	16 771	18 864	30 971
Contracted services		8 095	7 228	7 800	9 629	10 329	10 329	10 329	9 846	10 565	17 432
Transfers and grants		305	750	225	12 938	11 662	11 662	11 662	-	-	-
Other expenditure	4, 5	25 409	19 739	21 979	41 969	29 743	29 743	29 743	35 634	38 877	58 106
Loss on disposal of PPE		319	70	744	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>218 175</b>	<b>267 088</b>	<b>258 437</b>	<b>220 896</b>	<b>215 864</b>	<b>215 864</b>	<b>215 864</b>	<b>215 964</b>	<b>236 785</b>	<b>338 188</b>
<b>Surplus/(Deficit)</b>		<b>(54 137)</b>	<b>(83 636)</b>	<b>(63 784)</b>	<b>(9 199)</b>	<b>(8 367)</b>	<b>(8 367)</b>	<b>(8 367)</b>	<b>1 616</b>	<b>(12 098)</b>	<b>10 827</b>
Transfers recognised - capital		11 451	13 102	14 694	56 565	13 398	13 398	13 398	14 602	14 342	13 798
Contributions recognised - capital	6	-	-	-	-	-	-	-	-	-	-
Contributed assets											
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>(42 686)</b>	<b>(70 534)</b>	<b>(49 091)</b>	<b>47 366</b>	<b>5 031</b>	<b>5 031</b>	<b>5 031</b>	<b>16 218</b>	<b>2 244</b>	<b>24 625</b>
Taxation											
<b>Surplus/(Deficit) after taxation</b>		<b>(42 686)</b>	<b>(70 534)</b>	<b>(49 091)</b>	<b>47 366</b>	<b>5 031</b>	<b>5 031</b>	<b>5 031</b>	<b>16 218</b>	<b>2 244</b>	<b>24 625</b>
Attributable to minorities											
<b>Surplus/(Deficit) attributable to municipality</b>		<b>(42 686)</b>	<b>(70 534)</b>	<b>(49 091)</b>	<b>47 366</b>	<b>5 031</b>	<b>5 031</b>	<b>5 031</b>	<b>16 218</b>	<b>2 244</b>	<b>24 625</b>
Share of surplus/ (deficit) of associate	7										
<b>Surplus/(Deficit) for the year</b>		<b>(42 686)</b>	<b>(70 534)</b>	<b>(49 091)</b>	<b>47 366</b>	<b>5 031</b>	<b>5 031</b>	<b>5 031</b>	<b>16 218</b>	<b>2 244</b>	<b>24 625</b>

**Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)**

1. Total revenue is R232, 182 million in 2016/17 and increases to R239, 029 million by 2017/18. This represents an increase of 4.72 per cent for the 2016/17 financial year and increases by 2.86 per cent for the 2017/18 financial year.
2. Revenue to be generated from property rates is R30, 665 million in the 2016/17 financial year and increases to R30, 915 million by 2017/18 which represents 12.93 per cent of the operating revenue base of the Municipality and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 6 per cent across the MTREF.

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3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R106, 383 million for the 2016/17 financial year and increasing to R111, 562 million by 2017/18 and increasing to R184, 077 million by 2018/19. For the 2016/17 financial year services charges amount to 45.82 per cent of the total revenue base and grows by 4.78 per cent per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of electricity and water.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government fluctuates over the 2016/17 MTREF, in 2016/17 it increases 1.54 per cent and then increases again by 6.3 per cent 2018/19. The percentage share of this revenue source declines due to the more rapid relative growth in service charge revenues.
5. Bulk purchases have significantly increased over the 2012/13 to 2018/19 period escalating from R38, 781 million to R100, 377 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom and water from the water contracts with farmers. As well as the increase in demand for the above mentioned commodities.
6. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.



## Budgeted Capital Expenditure by vote, standard classification and funding source

NC073 Emthanjani - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding											
Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	2										
Vote 1 - EXECUTIVE AND COUNCIL		-	-	-	-	-	-	-	-	-	-
Vote 2 - FINANCE AND ADMINISTRATION		-	-	-	-	-	-	-	-	-	-
Vote 3 - PLANNING AND DEVELOPMENT		-	-	-	-	-	-	-	-	-	-
Vote 4 - HEALTH		-	-	-	-	-	-	-	-	-	-
Vote 5 - COMMUNITY AND SOCIAL SERVICES		798	-	-	-	-	-	-	-	-	-
Vote 6 - PUBLIC SAFETY		-	-	-	-	-	-	-	-	-	-
Vote 7 - SPORT AND RECREATION		-	-	-	-	-	-	-	-	-	-
Vote 8 - ROAD TRANSPORT		-	-	-	-	-	-	-	-	-	-
Vote 9 - OTHER		-	-	-	-	-	-	-	-	-	-
Vote 10 - HOUSING SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 11 - WASTE MANAGEMENT		-	-	-	-	-	-	-	-	-	-
Vote 12 - WASTE WATER MANAGEMENT		-	-	-	-	-	-	-	-	-	-
Vote 13 - ELECTRICITY		-	-	-	-	-	-	-	-	-	-
Vote 14 - WATER		6 810	-	13 833	10 000	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	7	7 608	-	13 833	10 000	-	-	-	-	-	-
<b>Single-year expenditure to be appropriated</b>	2										
Vote 1 - EXECUTIVE AND COUNCIL		86	585	9	159	89	89	89	137	147	157
Vote 2 - FINANCE AND ADMINISTRATION		432	292	174	1 897	1 637	1 637	1 637	1 735	1 899	3 133
Vote 3 - PLANNING AND DEVELOPMENT		5	500	-	12	12	12	12	-	13	22
Vote 4 - HEALTH		-	-	-	-	-	-	-	-	-	-
Vote 5 - COMMUNITY AND SOCIAL SERVICES		58	63	134	307	207	207	207	296	284	469
Vote 6 - PUBLIC SAFETY		294	-	-	88	88	88	88	63	98	162
Vote 7 - SPORT AND RECREATION		42	1	-	261	261	261	261	75	65	68
Vote 8 - ROAD TRANSPORT		2 043	15 401	-	11 724	11 724	11 724	11 724	4 200	14 404	15 239
Vote 9 - OTHER		-	-	-	-	-	-	-	-	-	-
Vote 10 - HOUSING SERVICES		2	714	45	-	-	-	-	-	-	-
Vote 11 - WASTE MANAGEMENT		-	-	-	31	31	31	31	29	34	56
Vote 12 - WASTE WATER MANAGEMENT		-	-	-	35 958	2 791	2 791	2 791	981	145	300
Vote 13 - ELECTRICITY		3 145	2 314	-	6 726	2 100	2 100	2 100	5 400	2 815	2 049
Vote 14 - WATER		5	1 681	-	180	180	180	180	7 822	500	350
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		6 113	21 552	362	57 344	19 121	19 121	19 121	20 739	20 405	22 006
<b>Total Capital Expenditure - Vote</b>		13 721	21 552	14 194	67 344	19 121	19 121	19 121	20 739	20 405	22 006
<b>Capital Expenditure - Standard</b>											
<b>Governance and administration</b>		518	878	183	2 056	1 726	1 726	1 726	1 873	2 046	3 291
Executive and council		86	585	9	159	89	89	89	137	147	157
Budget and treasury office		432	172	49	1 369	1 369	1 369	1 369	1 385	1 528	2 521
Corporate services		-	120	125	528	268	268	268	350	371	612
<b>Community and public safety</b>		1 194	778	179	657	557	557	557	434	447	699
Community and social services		856	63	134	307	207	207	207	296	284	469
Sport and recreation		42	1	-	261	261	261	261	75	65	68
Public safety		294	-	-	88	88	88	88	63	98	162
Housing		2	714	45	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		2 048	15 901	-	11 737	11 737	11 737	11 737	4 200	14 417	15 261
Planning and development		5	500	-	12	12	12	12	-	13	22
Road transport		2 043	15 401	-	11 724	11 724	11 724	11 724	4 200	14 404	15 239
Environmental protection		-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		9 960	3 995	13 833	52 895	5 102	5 102	5 102	14 232	3 494	2 756
Electricity		3 145	2 314	-	6 726	2 100	2 100	2 100	5 400	2 815	2 049
Water		6 815	1 681	13 833	10 180	180	180	180	7 822	500	350
Waste water management		-	-	-	35 958	2 791	2 791	2 791	981	145	300
Waste management		-	-	-	31	31	31	31	29	34	56
<b>Other</b>		-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Standard</b>	3	13 721	21 552	14 194	67 344	19 121	19 121	19 121	20 739	20 405	22 006
<b>Funded by:</b>											
National Government		12 139	15 313	13 833	55 958	12 791	12 791	12 791	13 905	13 711	13 118
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	4	12 139	15 313	13 833	55 958	12 791	12 791	12 791	13 905	13 711	13 118
<b>Public contributions &amp; donations</b>	5	-	-	-	-	-	-	-	-	-	-
<b>Borrowing</b>	6	-	-	-	5 046	-	-	-	-	-	-
<b>Internally generated funds</b>		1 582	6 239	362	6 341	6 331	6 331	6 331	6 834	6 694	8 888
<b>Total Capital Funding</b>	7	13 721	21 552	14 194	67 344	19 121	19 121	19 121	20 739	20 405	22 006

**Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2016/17 has been allocated of the total R0 capital budget.
3. Single-year capital expenditure has been appropriated at R20, 937 million for the 2016/17 financial year and remains relatively constant over the MTREF.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital programme is funded from capital and provincial grants and transfers and internally generated funds from current year surpluses. For 2016/17, capital transfers totals R13, 905 million (67.04 per cent) and decreases to R13, 771 million by 2017/18 (67.11 per cent). Internally generated funding totaling R6, 834 million, R6, 694 million and R8, 888 million for each of the respective financial years of the MTREF. The municipality does not plan to enter into any borrowings over the 2016/17 MTREF. These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding).



**Table 19 MBRR Table A6 - Budgeted Financial Position**

NC073 Emthanjeni - Table A6 Budgeted Financial Position											
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
ASSETS											
Current assets											
Cash		17 196	12 210	12 282	3 128	997	997	997	968	1 545	1 721
Call investment deposits	1	-	-	-	9 070	2 789	2 789	2 789	10 075	9 739	9 343
Consumer debtors	1	46 604	30 486	31 918	20 584	18 472	18 472	18 472	22 824	22 305	20 734
Other debtors		12 586	16 090	18 237	10 167	10 167	10 167	10 167	11 277	11 615	11 855
Current portion of long-term receivables		26	1	2	-	-	-	-	-	-	-
Inventory	2	63 424	63 059	62 963	66 894	66 894	66 894	66 894	65 556	66 867	67 001
Total current assets		139 835	121 847	125 401	109 842	99 318	99 318	99 318	110 700	112 071	110 653
Non current assets											
Long-term receivables		1	1	1	-	-	-	-	-	-	-
Investments		14	21	26	8 575	11 375	11 375	11 375	29	29	30
Investment property		5 004	5 004	5 004	5 004	5 004	5 004	5 004	5 004	5 004	5 004
Investment in Associate		-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	3	970 415	926 584	878 712	930 037	930 037	930 037	930 037	932 114	934 601	938 325
Agricultural		-	-	-	-	-	-	-	-	-	-
Biological		-	-	-	-	-	-	-	-	-	-
Intangible		538	384	235	413	413	413	413	458	462	478
Other non-current assets		95	5	3	68	68	68	68	83	85	86
Total non current assets		976 067	932 000	883 982	944 097	946 897	946 897	946 897	937 687	940 181	943 923
TOTAL ASSETS		1 115 902	1 053 847	1 009 383	1 053 938	1 046 215	1 046 215	1 046 215	1 048 386	1 052 252	1 054 576
LIABILITIES											
Current liabilities											
Bank overdraft	1	6 557	11 977	13 564	9 269	10 753	10 753	10 753	9 338	10 550	9 535
Borrowing	4	2 485	2 758	2 478	3 003	3 003	3 003	3 003	688	-	-
Consumer deposits		1 825	1 949	2 112	2 191	2 191	2 191	2 191	2 289	2 379	2 450
Trade and other payables	4	28 680	24 205	26 142	16 752	15 283	15 283	15 283	16 352	16 199	17 333
Provisions		1 302	1 414	1 346	2 097	2 097	2 097	2 097	2 972	2 589	2 700
Total current liabilities		40 848	42 302	45 643	33 313	33 327	33 327	33 327	31 639	31 717	32 018
Non current liabilities											
Borrowing		6 008	3 231	37 747	14 777	2 348	2 348	2 348	-	-	-
Provisions		46 259	49 680	16 451	52 713	61 123	61 123	61 123	36 071	37 737	38 544
Total non current liabilities		52 267	52 911	54 198	67 490	63 471	63 471	63 471	36 071	37 737	38 544
TOTAL LIABILITIES		93 115	95 213	99 840	100 803	96 798	96 798	96 798	67 709	69 454	70 562
NET ASSETS	5	1 022 787	958 633	909 543	953 136	949 417	949 417	949 417	980 677	982 798	984 014
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		1 022 787	958 633	909 543	953 136	949 417	949 417	949 417	980 677	982 798	984 014
Reserves	4	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	5	1 022 787	958 633	909 543	953 136	949 417	949 417	949 417	980 677	982 798	984 014

**Explanatory notes to Table A6 - Budgeted Financial Position**

- Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
- This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
- Table 66 is supported by an extensive table of notes (SA3 which can be found on page 102) providing a detailed analysis of the major components of a number of items, including:
  - Call investments deposits;
  - Consumer debtors;
  - Property, plant and equipment;
  - Trade and other payables;



- Provisions non - current;
- Changes in net assets; and
- Reserves

- The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
- Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

**Table 20 MBRR Table A7 - Budgeted Cash Flow Statement**

NC073 Emthanjeni - Table A7 Budgeted Cash Flows											
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates, penalties & collection charges		13 593	17 407	23 732	25 578	25 578	25 578	25 578	27 999	28 239	49 909
Service charges		66 533	86 506	50 909	99 481	97 831	97 831	97 831	99 902	104 820	132 281
Other revenue		12 295	(2 790)	39 982	32 048	32 848	32 848	32 848	34 954	36 508	53 721
Government - operating	1	38 073	38 678	36 215	40 601	40 601	40 601	40 601	41 210	41 753	47 657
Government - capital	1	17 054	15 152	14 694	56 565	13 398	13 398	13 398	14 602	14 342	13 798
Interest		1 595	1 030	1 596	715	715	715	715	806	830	863
Dividends		-	-	-	-	-	-	-	-	-	-
<b>Payments</b>											
Suppliers and employees		(130 205)	(140 967)	(151 296)	(184 234)	(170 203)	(170 203)	(170 203)	(190 113)	(201 144)	(265 917)
Finance charges		(1 758)	(1 608)	(1 337)	(2 556)	(3 556)	(3 556)	(3 556)	(5 468)	(6 143)	(9 731)
Transfers and Grants	1	(305)	(750)	(225)	(12 938)	(11 662)	(11 662)	(11 662)	-	-	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>16 875</b>	<b>12 659</b>	<b>14 289</b>	<b>55 260</b>	<b>25 550</b>	<b>25 550</b>	<b>25 550</b>	<b>23 890</b>	<b>19 204</b>	<b>22 582</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE		558	990	1 186	124	124	124	124	130	139	148
Decrease (increase) in non-current debtors		-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables		-	-	(0)	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		79	-	-	2 800	30	30	30	-	-	-
<b>Payments</b>											
Capital assets		(13 822)	(21 552)	(14 194)	(62 298)	(19 121)	(19 121)	(19 121)	(20 739)	(20 405)	(22 006)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(13 186)</b>	<b>(20 562)</b>	<b>(13 008)</b>	<b>(59 374)</b>	<b>(18 967)</b>	<b>(18 967)</b>	<b>(18 967)</b>	<b>(20 610)</b>	<b>(20 266)</b>	<b>(21 858)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	5 046	-	-	-	-	-	-
Increase (decrease) in consumer deposits		-	-	-	135	135	135	135	98	90	71
<b>Payments</b>											
Repayment of borrowing		(2 275)	(2 504)	(2 777)	(4 084)	(1 028)	(1 028)	(1 028)	(688)	-	-
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>(2 275)</b>	<b>(2 504)</b>	<b>(2 777)</b>	<b>1 096</b>	<b>(894)</b>	<b>(894)</b>	<b>(894)</b>	<b>(590)</b>	<b>90</b>	<b>71</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>1 415</b>	<b>(10 407)</b>	<b>(1 515)</b>	<b>(3 017)</b>	<b>5 690</b>	<b>5 690</b>	<b>5 690</b>	<b>2 691</b>	<b>(972)</b>	<b>795</b>
Cash/cash equivalents at the year begin	2	9 225	10 640	233	3 624	(1 283)	(1 283)	(1 283)	(985)	1 706	734
Cash/cash equivalents at the year end:	2	10 640	233	(1 283)	606	4 407	4 407	4 407	1 706	734	1 529

## Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the Municipality increased slightly over the 2016/17 MTREF.
4. The 2014/15 year provide for a net decrease in cash of R1,515 million for the 2014/15 financial year resulting in an overall cash position of R-1, 283 million at year end.
5. In 2016/17 the Municipality will undertake an extensive debt collection drive resulting in cash receipts on arrear debtors, these interventions translated into a net cash position.
6. The 2016/17 has been informed by the planning principle of ensuring adequate cash reserves over the medium-term and after the adjustment budget process it became clear that huge amount of funds would become necessary in the next financial year to acquire new fleet which would curb raising costs of repairs and maintenance.
7. In the 2016/17 MTREF the municipality will enter into a lease contract in order to finance a fleet of infrastructure vehicles, expected cash and cash equivalents totals R1. 706 million as at the end of the 2016/17 financial year and escalates to R1.529 million by 2018/19.

**Table 21 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

NC073 Emthanjeni - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	10 640	233	(1 283)	606	4 407	4 407	4 407	1 706	734	1 529
Other current investments > 90 days		(0)	(0)	(0)	2 322	(11 375)	(11 375)	(11 375)	0	0	0
Non current assets - investments	1	14	21	26	8 575	11 375	11 375	11 375	29	29	30
<b>Cash and investments available:</b>		<b>10 654</b>	<b>254</b>	<b>(1 257)</b>	<b>11 503</b>	<b>4 407</b>	<b>4 407</b>	<b>4 407</b>	<b>1 734</b>	<b>763</b>	<b>1 558</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		12 120	7 095	3 761	1 470	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	998	989	1 047
Other working capital requirements	3	(33 770)	(17 395)	(15 152)	(13 093)	(11 666)	(11 666)	(11 666)	(15 303)	(15 414)	(18 311)
Other provisions		-	-	-	-	-	-	-	1 942	2 057	2 511
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
<b>Total Application of cash and investments:</b>		<b>(21 650)</b>	<b>(10 300)</b>	<b>(11 391)</b>	<b>(11 624)</b>	<b>(11 666)</b>	<b>(11 666)</b>	<b>(11 666)</b>	<b>(12 363)</b>	<b>(12 358)</b>	<b>(4 752)</b>
<b>Surplus(shortfall)</b>		<b>32 304</b>	<b>10 554</b>	<b>10 134</b>	<b>23 127</b>	<b>16 073</b>	<b>16 073</b>	<b>16 073</b>	<b>14 097</b>	<b>13 121</b>	<b>6 311</b>

## **Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. From the table it can be seen that for the period 2012/13 to 2016/17 the surplus decreased from R32 million to R14 million.
6. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2016/17 MTREF was funded owing to the surplus.
7. As part of the budgeting and planning guidelines that informed the compilation of the 2016/16 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

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**Table 22 MBRR Table A9 - Asset Management**

NC073 Emthanjeni - Table A9 Asset Management										
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>CAPITAL EXPENDITURE</b>										
<b>Total New Assets</b>	1	8 284	12 299	13 833	55 958	12 791	12 791	13 992	12 612	13 118
Infrastructure - Road transport		4 084	10 682	-	8 500	8 500	8 500	1 000	7 212	12 118
Infrastructure - Electricity		-	918	-	1 500	1 500	1 500	4 800	3 965	1 000
Infrastructure - Water		-	699	13 833	10 000	-	-	7 322	-	-
Infrastructure - Sanitation		4 200	-	-	35 958	2 791	2 791	870	1 435	-
Infrastructure - Other		-	-	-	-	-	-	-	-	-
Infrastructure		8 284	12 299	13 833	55 958	12 791	12 791	13 992	12 612	13 118
Community		-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	-	-	-	-	-	-	-	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
<b>Total Renewal of Existing Assets</b>	2	5 437	9 253	362	11 386	6 331	6 331	6 747	7 792	8 888
Infrastructure - Road transport		761	4 640	-	2 800	2 800	2 800	3 105	3 964	2 920
Infrastructure - Electricity		412	611	-	5 226	170	170	600	636	1 049
Infrastructure - Water		17	406	-	180	180	180	500	500	350
Infrastructure - Sanitation		-	-	-	-	-	-	220	15	300
Infrastructure - Other		652	1 312	-	31	31	31	32	34	56
Infrastructure		1 842	6 969	-	8 237	3 181	3 181	4 457	5 149	4 676
Community		1 231	64	68	353	353	353	322	332	509
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	2 301	2 126	294	1 913	1 913	1 913	1 968	2 311	3 704
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		62	93	-	884	884	884	-	-	-
<b>Total Capital Expenditure</b>	4									
Infrastructure - Road transport		4 845	15 322	-	11 300	11 300	11 300	4 105	11 177	15 038
Infrastructure - Electricity		412	1 528	-	6 726	1 670	1 670	5 400	4 601	2 049
Infrastructure - Water		17	1 106	13 833	10 180	180	180	7 822	500	350
Infrastructure - Sanitation		4 200	-	-	35 958	2 791	2 791	1 090	1 450	300
Infrastructure - Other		652	1 312	-	31	31	31	32	34	56
Infrastructure		10 126	19 268	13 833	64 195	15 972	15 972	18 449	17 762	17 794
Community		1 231	64	68	353	353	353	322	332	509
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets		2 301	2 126	294	1 913	1 913	1 913	1 968	2 311	3 704
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		62	93	-	884	884	884	-	-	-
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>	2	13 721	21 552	14 194	67 344	19 121	19 121	20 739	20 405	22 006
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>	5									
Infrastructure - Road transport		491 212	348 530	466 220	317 410	317 410	317 410	318 515	318 774	318 530
Infrastructure - Electricity		51 035	56 646	72 304	55 797	55 797	55 797	56 978	57 579	58 629
Infrastructure - Water		97 954	101 896	140 606	112 244	112 244	112 244	114 066	114 566	114 916
Infrastructure - Sanitation		112 359	118 142	38 185	143 736	143 736	143 736	143 826	144 276	144 576
Infrastructure - Other		1 893	3 357	12 102	3 861	3 861	3 861	3 893	3 927	3 984
Infrastructure		754 453	628 571	729 418	633 048	633 048	633 048	637 279	639 123	640 635
Community		155 551	224 026	68	223 324	223 324	223 324	219 049	219 381	219 890
Heritage assets		-	6 959	6 959	-	-	-	6 959	6 959	6 959
Investment properties		5 004	5 004	5 004	5 004	5 004	5 004	5 004	5 004	5 004
Other assets		60 410	67 028	142 268	73 665	73 665	73 665	68 826	69 137	70 841
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		538	384	235	413	413	413	458	462	478
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	5	975 957	931 972	883 952	935 454	935 454	935 454	937 575	940 067	943 807
<b>EXPENDITURE OTHER ITEMS</b>										
Depreciation & asset impairment		69 275	65 214	61 386	9 248	9 248	9 248	7 337	10 173	16 775
<b>Repairs and Maintenance by Asset Class</b>	3	8 471	11 611	11 215	16 618	16 618	16 618	16 771	18 864	30 971
Infrastructure - Road transport		1 368	1 277	317	616	616	616	628	562	1 099
Infrastructure - Electricity		1 495	929	1 165	1 342	1 342	1 342	1 545	1 848	2 783
Infrastructure - Water		750	697	689	1 145	1 145	1 145	1 231	1 304	2 152
Infrastructure - Sanitation		712	464	228	64	64	64	66	70	116
Infrastructure - Other		711	1 068	-	1 975	1 975	1 975	-	-	-
Infrastructure		5 036	4 435	2 399	5 143	5 143	5 143	3 470	3 785	6 151
Community		1 626	2 218	3 409	3 098	3 098	3 098	2 037	2 302	4 263
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		158	-	-	-	-	-	-	-	-
Other assets	6, 7	1 651	4 958	5 407	8 377	8 377	8 377	11 264	12 777	20 557
<b>TOTAL EXPENDITURE OTHER ITEMS</b>		77 746	76 824	72 601	25 866	25 866	25 866	24 108	29 037	47 746
<b>Renewal of Existing Assets as % of total capex</b>		39.6%	42.9%	2.5%	16.9%	33.1%	33.1%	32.5%	38.2%	40.4%
<b>Renewal of Existing Assets as % of deprecn</b>		7.8%	14.2%	0.6%	123.1%	68.5%	68.5%	92.0%	76.6%	53.0%
<b>R&amp;M as a % of PPE</b>		0.9%	1.3%	1.3%	1.8%	1.8%	1.8%	1.8%	2.0%	3.3%
<b>Renewal and R&amp;M as a % of PPE</b>		1.0%	2.0%	1.0%	3.0%	2.0%	2.0%	3.0%	3.0%	4.0%

## **Explanatory notes to Table A9 - Asset Management**

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the municipality's strategy to address the maintenance backlog.

A handwritten mark, possibly a signature or initials, consisting of a circle with a checkmark inside, and a vertical line passing through it.

Table 23 MBRR Table A10 - Basic Service Delivery Measurement

NC073 Emthanjeni - Table A10 Basic service delivery measurement										
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Household service targets</b>	1									
<b>Water:</b>										
Piped water inside dwelling		8 288	8 738	9 175	11 114	11 114	11 114	11 480	11 594	11 640
Piped water inside yard (but not in dwelling)		-	450	473	695	695	695	736	743	763
Using public tap (at least min service level)	2	21	471	495	465	465	465	452	444	430
Other water supply (at least min service level)	4	-	450	473	341	341	341	333	320	310
<i>Minimum Service Level and Above sub-total</i>		8 309	10 109	10 614	12 615	12 615	12 615	13 001	13 101	13 143
Using public tap (< min service level)	3	-	-	-	-	-	-	-	-	-
Other water supply (< min service level)	4	-	-	-	-	-	-	-	-	-
No water supply		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	5	8 309	10 109	10 614	12 615	12 615	12 615	13 001	13 101	13 143
<b>Sanitation/sewerage:</b>										
Flush toilet (connected to sewerage)		6 838	7 288	7 652	8 847	8 847	8 847	9 377	9 507	9 590
Flush toilet (with septic tank)		1 177	1 627	1 709	2 252	2 252	2 252	2 365	2 425	2 480
Chemical toilet		243	693	727	705	705	705	663	636	625
Pit toilet (ventilated)		-	450	473	458	458	458	431	406	402
Other toilet provisions (> min service level)		-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		8 258	10 058	10 561	12 262	12 262	12 262	12 836	12 974	13 097
Bucket toilet		63	513	539	353	353	353	331	328	319
Other toilet provisions (< min service level)		-	450	9 175	-	-	-	-	-	-
No toilet provisions		-	-	9 175	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		63	963	18 888	353	353	353	331	328	319
<b>Total number of households</b>	5	8 321	11 021	29 449	12 615	12 615	12 615	13 167	13 302	13 416
<b>Energy:</b>										
Electricity (at least min service level)		3 318	3 768	3 957	3 838	3 838	3 838	3 990	4 005	4 290
Electricity - prepaid (min service level)		4 993	5 443	5 715	8 115	8 115	8 115	8 206	8 290	8 350
<i>Minimum Service Level and Above sub-total</i>		8 311	9 211	9 671	11 953	11 953	11 953	12 196	12 295	12 640
Electricity (< min service level)		11	461	484	469	469	469	435	419	400
Electricity - prepaid (< min service level)		-	450	473	193	193	193	189	175	162
Other energy sources		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		11	911	956	662	662	662	624	594	562
<b>Total number of households</b>	5	8 321	10 121	10 627	12 615	12 615	12 615	12 820	12 889	13 202
<b>Refuse:</b>										
Removed at least once a week		8 321	10 121	10 627	12 615	12 615	12 615	13 624	13 909	14 210
<i>Minimum Service Level and Above sub-total</i>		8 321	10 121	10 627	12 615	12 615	12 615	13 624	13 909	14 210
Removed less frequently than once a week		-	-	-	-	-	-	-	-	-
Using communal refuse dump		-	-	-	-	-	-	-	-	-
Using own refuse dump		-	-	-	-	-	-	-	-	-
Other rubbish disposal		-	-	-	-	-	-	-	-	-
No rubbish disposal		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	5	8 321	10 121	10 627	12 615	12 615	12 615	13 624	13 909	14 210
<b>Households receiving Free Basic Service</b>	7									
Water (6 kilolitre per household per month)		2 864	2 726	2 989	2 908	2 908	3 334	3 834	4 064	4 226
Sanitation (free minimum level service)		2 864	2 726	2 989	2 908	2 908	3 334	3 834	4 064	4 226
Electricity/other energy (50kwh per household per month)		2 864	2 726	2 989	2 908	2 908	3 334	3 834	4 064	4 226
Refuse (removed at least once a week)		2 864	2 726	2 989	2 908	2 908	3 334	3 834	4 064	4 226
<b>Cost of Free Basic Services provided - Formal Settlements (R'000)</b>	8									
Water (6 kilolitre per indigent household per month)		-	-	-	-	-	-	2 089	2 460	4 059
Sanitation (free sanitation service to indigent households)		-	-	-	-	-	-	1 996	2 351	3 880
Electricity/other energy (50kwh per indigent household per month)		-	-	-	-	-	-	1 722	2 028	3 346
Refuse (removed once a week for indigent households)		-	-	-	-	-	-	2 051	2 416	3 986
<b>Cost of Free Basic Services provided - Informal Formal Settlements (R'000)</b>		-	-	-	-	-	-	-	-	-
<b>Total cost of FBS provided</b>		-	-	-	-	-	-	7 858	9 255	15 270
<b>Highest level of free service provided per household</b>										
Property rates (R value threshold)		18 000	18 000	18 900	28 000	28 000	28 000	28 000	28 000	28 000
Water (kilolitre per household per month)		6	6	6	8	8	8	8	8	8
Sanitation (kilolitre per household per month)		-	-	-	-	-	-	-	-	-
Sanitation (Rand per household per month)		119	126	132	161	161	161	172	182	193
Electricity (kwh per household per month)		50	50	53	50	50	50	50	50	50
Refuse (average litres per week)		74	78	82	101	101	101	101	101	101
<b>Revenue cost of subsidised services provided (R'000)</b>	9									
Property rates (tariff adjustment) (Impermissible values per section 17 of MPRA)		-	-	-	-	-	-	-	-	-
Property rates exemptions, reductions and rebates and Impermissible values in excess of section 17 of MPRA)		-	-	-	8 589	8 589	8 589	10 585	9 756	16 098
Water (in excess of 6 kilolitre per indigent household per month)		-	-	-	-	-	-	1 127	1 195	1 267
Sanitation (in excess of free sanitation service to indigent households)		-	-	-	-	-	-	-	-	-
Electricity/other energy (in excess of 50 kwh per indigent household per month)		-	-	-	-	-	-	-	-	-
Refuse (in excess of one removal a week for indigent households)		-	-	-	-	-	-	-	-	-
Municipal Housing - rental rebates		-	-	-	-	-	-	-	-	-
Housing - top structure subsidies	6	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
<b>Total revenue cost of subsidised services provided</b>		-	-	-	8 589	8 589	8 589	11 712	10 951	17 365

## Part 2 – Supporting Documentation

### 2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Mayor, who is also the chairperson of the Finance Committee.

The primary aims of the Budget Steering Committee are to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

#### i. Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2015) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule in September 2015. Key dates applicable to the process were:

- **August 2015** – Strategic planning session of all the Councillors and Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2016/17 MTREF;
- **November 2015** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **January 2016** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **25 January 2016** - Council considers the 2016/17 Mid-year Review and Adjustments Budget;
- **January 2016** – Multi-year budget proposals are submitted to the Executive Committee for endorsement;
- **February 2016** - Recommendations of the Executive Committee are communicated to the Budget Steering Committee, and on to the respective departments. The FINAL 2016/17 MTREF is revised accordingly;



- **31 March 2016** - Tabling in Council of the FINAL 2016/17 IDP and 2016/17 MTREF for public consultation;
- **April 2016** – Public consultation;
- **25 April 2016** - Closing date for written comments;
- **6 to 21 May 2016** – Finalisation of the 2016/17 IDP and 2016/17 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **31 May 2015** - Tabling of the 2016/17 MTREF before Council for consideration And approval.

There were deviations from the key dates set out in the Budget Time Schedule tabled in Council due to commitments that arose on the planned activities.

## **ii. IDP and Service Delivery and Budget Implementation Plan**

The IDP as adopted by Council on 31 May 2016. It started in September 2015 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2016/17 MTREF in August.

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;  
Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2016/17 MTREF, based on the approved 2016/17 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2016/17 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2016/17 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

## **iii. Financial Modelling and Key Planning Drivers**

As part of the compilation of the 2016/17 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2016/17 MTREF:

- Municipality's growth potential
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e. inflation, Eskom increases, household debt, migration patterns)
- Performance trends The approved 2015/16 adjustments budget and performance against the SDBIP



- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery
- Solar Energy project potentials

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 51 and 54 has been taken into consideration in the planning and prioritisation process.

#### **iv. Community Consultation**

The FINAL Budget 2016/17 MTREF as tabled before Council on 31 March 2016 for community consultation was published on the municipality's website, and hard copies were made available at customer care offices, municipal notice boards and various libraries.

Council held Budget Input meetings at venues in all wards of Emthanjeni municipality. Knock and drops were distributed at all households to inform the communities about the meetings. Advertisements of the notifications were sent to all organisations on the municipality's database, including ratepayer associations, community-based organisations and organised business.

Ward Committees were utilised to facilitate the community consultation process from 01 to 15 March 2016, and included eight public briefing sessions with communities, and other stakeholders. The applicable dates and venues were published in all the local newspapers and were attended by the members of the community. This can be attributed to the additional initiatives that were launched during the consultation process, including the specific targeting of ratepayer associations. Individual sessions were scheduled with organised business and imbizo's were held to further ensure transparency and interaction. Other stakeholders involved in the consultation included churches, non-governmental institutions and community-based organisations.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the FINALisation of the 2016/17 MTREF. Feedback and responses to the submissions received are available on request. The following are some of the issues and concerns raised as well as comments received during the consultation process:

Significant changes effected in the FINAL 2016/17 MTREF compared to the FINAL 2015/16MTREF that was tabled for community consultation, include:

- The FINAL Eskom bulk tariff increase, applicable to municipalities from 1 July 2016, was factored into the proposed consumer tariffs, applicable from 1 July 2016. This resulted in an increase of 8 per cent;
- The SALGBC parties' settlement regarding the salary negotiations have been finalised for in the 2016/17 financial year;
- The 2016 Division of Revenue Act (DORA) grant allocations were finalised and aligned to the gazetted allocations; and
- Funding was allocated to address metering discrepancies and unmetered premises.



## 2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPis);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2016/17 MTREF and further planning refinements that have directly informed the compilation of the budget.



**Table 24 IDP Strategic Objectives**

	2015/16 Financial Year	2016/17 MTREF
1.	Ensure that all residents have access to sustainable free basic services and all other services rendered	Provision of access to all basic services rendered to residents within the available resources.
2.	Development and transformation of the institution with the aim of capacitating the municipality in meeting the Objectives	Development and transformation of the institution with the aim of capacitating the municipality in meeting their objectives.
3.	Promote sustainable and representative governance through the efficient, effective	Promote the equitable creation and distribution of wealth in Emthanjeni Municipal area.
4.	Promote sustainable and representative governance through the efficient, effective and sustainable utilization of resources in consultation with the residents of Emthanjeni Municipality.	Promote representative governance through the sustainable utilization of available resources in consultation with the residents of Emthanjeni Municipality.
5.	Create an effective, efficient, sustainable and viable municipality through financial management	Maintaining a financially sustainable and viable Municipality.
6.	Contribute to the creation of communities where residents and visitors can work, live and play without threat to themselves or their properties.	Contribute to the development and protection of the rights and needs of all residents with a particular focus on the poor.
7.	Contribute to the development of caring communities which promote and protect the right and needs of all citizens, with a particular focus on the poor.	Contribute to the creation of communities where residents and visitors can work, live and play without threat to themselves or their properties.
8.	Ensure a healthy environment for all residents of Emthanjeni through effective environmental management.	

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:



1. Provision of quality basic services and infrastructure which includes, amongst others:

- Provide electricity;
- Provide water;
- Provide sanitation;
- Provide waste removal;
- Provide housing;
- Provide roads and storm water;
- Provide public transport;
- Provide Municipality planning services; and
- Maintaining the infrastructure of the Municipality.

2. Economic growth and development that leads to sustainable job creation by:

- Ensuring there is a clear structural plan for the Municipality;
- Ensuring planning processes function in accordance with set timeframes;
- Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.

3.1 Fight poverty and build clean, healthy, safe and sustainable communities:

- Effective implementation of the Indigent Policy;
- Working with the provincial department of health to provide primary health care services;
- Extending waste removal services and ensuring effective Municipality cleansing;
- Ensuring all waste water treatment works are operating optimally;
- Working with strategic partners such as SAPS to address crime;
- Ensuring safe working environments by effective enforcement of building and health regulations;
- Promote viable, sustainable communities through proper zoning; and
- Promote environmental sustainability by protecting wetlands and key open spaces.

3.2 Integrated Social Services for empowered and sustainable communities

- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme

4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:

- Optimising effective community participation in the ward committee system; and
- Implementing Batho Pele in the revenue management strategy.

5.1 Promote sound governance through:

- Publishing the outcomes of all tender processes on the municipal website

5.2 Ensure financial sustainability through:

- Reviewing the use of contracted services
- Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan

5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

- Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the Municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and
- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fourth revised IDP, including:

- Strengthening the analysis and strategic planning processes of the Municipality;
- Initiating zonal planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.



The 2016/17 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

**Table 25 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue**

NC073 Emthanjani - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)													
Strategic Objective	Goal	Goal Code	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19	
R thousand													
Promote representative governance through the sustainable utilisation of available resources in consultation with the residents of Emthanjani municipality	To continuously review the accountable and transparent governance processes as per the Risk Based Audit Plan (RBAP)			350	390	371	458	377	377	303	332	643	
Promote representative governance through the sustainable utilisation of available resources in consultation with the residents of Emthanjani municipality	To be an executive council by leading and consulting our community and do on-going oversight of our service delivery and performance			6 339	7 068	2 489	8 072	6 648	6 646	6 111	6 338	11 330	
Promote the equitable creation and distribution of wealth in the Emthanjani municipal area	To promote LED, SMME's and tourism, support emerging farmers and reduce unemployment and poverty in the municipal area			1 142	1 273	-	3 625	2 985	2 985	2 194	3 340	5 088	
Provision of access to all basic services rendered to residents within available resources	To provide all communities quality water, sanitation and refuse manage demand and maintain existing infrastructure			51 155	57 038	77 311	95 433	78 579	78 579	77 270	77 939	104 889	
Provision of access to all basic services rendered to residents within available resources	To upgrade and maintain road infrastructure			658	734	10 443	12 890	10 814	10 614	10 356	11 878	18 094	
Provision of access to all basic services rendered to residents within available resources	To provide a quality electricity supply, manage demand and maintain existing infrastructure			59 083	65 878	67 020	82 729	68 119	68 119	69 881	70 534	116 127	
Maintaining a financially sustainable and viable municipality	To render a strategic financial management services to Emthanjani Municipality			338	377	11 272	13 914	11 457	11 457	10 258	11 314	19 532	
Maintaining a financially sustainable and viable municipality	To strengthen and implement financial and asset management within Emthanjani Municipality			15 868	17 693	706	7 419	6 109	6 109	6 536	6 836	10 414	
Maintaining a financially sustainable and viable municipality	To implement the Municipal Property Rates Act by imposing rates on all taxable properties within Emthanjani Municipality			13 305	17 449	21 135	26 089	21 482	21 482	20 705	21 540	38 621	
Maintaining a financially sustainable and viable municipality	To implement the Supply Chain Management policy that is fair, equitable, transparent, competitive and cost effective			5 700	6 356	825	1 018	838	838	897	938	1 429	
Maintaining a financially sustainable and viable municipality	To implement financial reforms as required per MFMA			1 500	1 673	1	2	1	1	25	26	40	
Development and transformation of the institution with the aim of capacitating the municipality in meeting their objectives	To maintain a capacitated municipality, achieve Employment Equity targets, develop human resources and comply to required legislation			-	-	3 721	4 593	3 782	3 782	3 346	3 532	6 447	
Municipal Transformation and Institutional Development	To upgrade and maintain municipal buildings and offices			40	45	66	81	67	67	71	75	114	
Promote the equitable creation and distribution of wealth in the Emthanjani municipal area	To promote LED, SMME's and tourism, support emerging farmers and reduce unemployment and poverty in the municipal area			2 233	2 490	-	-	-	-	-	-	-	
Promote the equitable creation and distribution of wealth in the Emthanjani municipal area	To facilitate empowerment of women, youth development, poverty alleviation and create opportunities			105	117	-	-	-	-	-	-	-	
Contribute to the development and protection of the rights and needs of all residents with a particular focus on the poor	To improve and facilitate rural development in the municipal area			10 319	11 506	7 629	3 090	2 544	2 544	2 722	2 893	5 931	
Contribute to the creation of communities where residents and visitors can work, live and play without threat to themselves or their properties	To provide basic services in terms of the legislation, awareness and training to the community, law enforcement, road safety participation and fire protection services within the municipal area			7 354	6 469	6 359	8 849	7 295	7 295	6 905	7 170	12 316	
Allocations to other priorities													
Total Revenue (excluding capital transfers and contributions)				1	175 490	196 554	209 347	268 262	220 895	220 895	217 580	224 687	349 014

**Table 26 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure**

NC073 Emthanjeni - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)												
Strategic Objective	Goal	Goal Code	Ref	2012/13 Audited Outcome	2013/14 Audited Outcome	2014/15 Audited Outcome	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure		
							Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>												
Promote representative governance through the sustainable utilisation of available resources in consultation with the residents of Emthanjeni municipality	To continuously review the accountable and transparent governance processes as per the Risk Based Audit Plan (RBAP)			2 614	4 077	3 954	4 366	4 274	4 274	4 016	4 879	7 001
Promote representative governance through the sustainable utilisation of available resources in consultation with the residents of Emthanjeni municipality	To be an executive council by leading and consulting our community and do on-going oversight of our service delivery and performance			7 816	9 198	8 922	7 594	7 419	7 419	7 013	8 469	12 153
Promote the equitable creation and distribution of wealth in the Emthanjeni municipal area	To promote LED SMMEs and tourism, support emerging farmers and reduce unemployment and poverty in the municipal area			2 031	5 390	5 228	4 450	4 348	4 348	4 695	4 963	7 122
Provision of access to all basic services rendered to residents within available resources	To provide all communities quality water, sanitation and refuse manage demand and maintain existing infrastructure			80 951	95 271	92 413	78 854	78 845	78 845	76 992	79 723	110 039
Provision of access to all basic services rendered to residents within available resources	To upgrade and maintain road infrastructure			10 878	14 802	14 358	12 221	11 939	11 939	12 885	13 630	19 558
Provision of access to all basic services rendered to residents within available resources	To provide a quality electricity supply manage demand and maintain existing infrastructure			53 725	63 229	61 332	52 200	51 000	51 000	52 080	56 219	83 544
Maintaining a financially sustainable and viable municipality	To render a strategic financial management services to Emthanjeni Municipality			1 678	4 097	4 847	2 456	2 399	2 399	2 591	2 739	3 931
Maintaining a financially sustainable and viable municipality	To strengthen and implement financial and asset management within Emthanjeni Municipality			9 330	10 980	10 651	9 065	8 857	8 857	8 565	10 762	14 508
Maintaining a financially sustainable and viable municipality	To implement the Municipal Property Rates Act by imposing rates on all taxable properties within Emthanjeni Municipality			4 213	4 958	4 809	4 093	3 999	3 999	4 319	4 565	6 551
Maintaining a financially sustainable and viable municipality	To implement the Supply Chain Management policy that is fair, equitable, transparent, competitive and cost effective			655	1 770	1 717	1 462	1 428	1 428	1 542	1 630	2 339
Maintaining a financially sustainable and viable municipality	To implement financial reforms as required per MFMA			1 916	2 255	2 187	1 861	1 819	1 819	1 964	2 076	2 979
Development and transformation of the institution with the aim of capacitating the municipality in meeting their objectives	To maintain a capacitated municipality achieve Employment Equity targets, develop human resources and comply to required legislation			8 585	10 104	9 801	8 342	8 150	8 150	7 602	9 303	13 350
Municipal Transformation and Institutional Development	To upgrade and maintain municipal buildings and offices			3 686	4 338	4 206	3 582	3 499	3 499	3 079	3 995	5 732
Promote the equitable creation and distribution of wealth in the Emthanjeni municipal area	To promote LED, SMMEs and tourism, support emerging farmers and reduce unemployment and poverty in the municipal area			7 660	9 015	8 744	7 442	7 271	7 271	7 053	8 301	11 911
Promote the equitable creation and distribution of wealth in the Emthanjeni municipal area	To facilitate empowerment of women, youth development, poverty alleviation and create opportunities			7 545	8 880	8 614	7 331	7 162	7 162	6 335	8 176	11 733
Contribute to the development and protection of the rights and needs of all residents with a particular focus on the poor	To improve and facilitate rural development in the municipal area			6 220	7 321	6 483	6 044	5 905	5 905	6 377	6 741	9 673
Contribute to the creation of communities where residents and visitors can work, live and play without threat to themselves or their properties	To provide traffic services in terms of the legislation, awareness and training to the community, law enforcement, road safety participation and fire protection services within the municipal area			8 673	10 502	10 187	9 734	9 551	9 551	8 845	10 614	15 461
Allocations to other priorities												
<b>Total Expenditure</b>				<b>1</b>	<b>218 175</b>	<b>267 088</b>	<b>258 437</b>	<b>220 896</b>	<b>215 864</b>	<b>215 864</b>	<b>215 954</b>	<b>236 785</b>

**Table 28 MBRR Table SA6 - NC073 Emthanjeni - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)**

NC073 Emthanjeni - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)												
Strategic Objective	Goal	Goal Code	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Provision of access to all basic services rendered to residents within available resources	To provide all communities quality water manage demand and maintain existing infrastructure	A		5 195	9 970	6 481	10 180	180	180	5 400	4 601	2 049
Provision of access to all basic services rendered to residents within available resources	To upgrade and maintain road infrastructure	B		2 480	8 923	5 800	11 724	11 724	11 724	4 022	5 537	12 813
Provision of access to all basic services rendered to residents within available resources	To provide all communities quality sanitation manage demand and maintain existing infrastructure	C		3 160	26	17	35 958	2 791	2 791	1 090	1 450	300
Maintaining a financially sustainable and viable municipality	To render a strategic financial management services to Emthanjeni Municipality	D		266	232	151	166	166	166	620	-	-
Maintaining a financially sustainable and viable municipality	To strengthen and implement financial and asset management within Emthanjeni Municipality	E		1 010	1 187	771	849	849	849	2 165	2 311	3 704
Contribute to the creation of communities where residents and visitors can work live and play without threat to themselves or their properties	To provide traffic services in terms of the legislation, awareness and training to the community law enforcement, road safety participation and fire protection services within the municipal area	F		420	241	157	1 013	583	583	322	332	509
Municipal Transformation and Institutional Development	To upgrade and maintain municipal buildings and offices	G		347	227	147	162	162	162	333	353	582
Provision of access to all basic services rendered to residents within available resources	To provide all communities sustainable electricity and to manage electricity increased demand within the current infrastructure	H		412	239	155	6 726	2 100	2 100	6 400	5 821	2 049
Promote the equitable creation and distribution of wealth in the Emthanjeni municipal area	To facilitate empowerment of women youth development, poverty alleviation and create opportunities	I		412	496	508	559	559	559	387	-	-
Promote representative governance through the sustainable utilisation of available resources in consultation with the residents of Emthanjeni municipality	To continuously review the accountable and transparent governance processes as per the Risk Based Audit Plan (RBAP)	J		18	11	7	8	8	8	-	-	-
Allocations to other priorities			3									
Total Capital Expenditure			1	13 721	21 552	14 194	67 344	19 121	19 121	20 739	20 405	22 006



## Supporting Table SA7 Measureable performance objectives

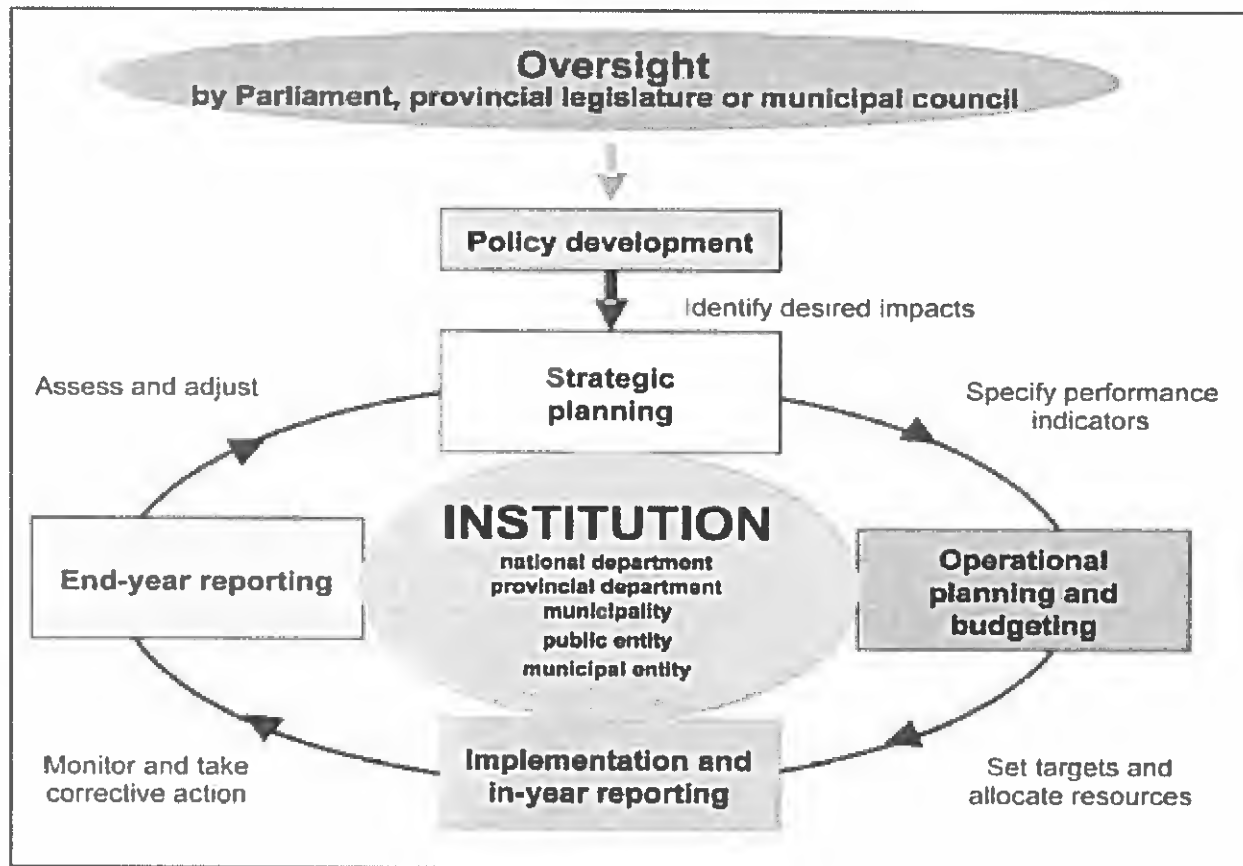
NC073 Emthanjeni - Supporting Table SA7 Measureable performance objectives

Description	Unit of measurement	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Vote 1 - Executive and Council</b>										
<b>Function 1 - Governance</b>										
Sub-function 1 - Office of the										
To be an executive council by leading and	No of performance	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%
To continuously review the accountable	% completed	3 0%	3 0%	3 0%	3 0%	3 0%	3 0%	3 0%	3 0%	3 0%
Sub-function 2 - Council										
Develop Risk based audit plan and submit to	RBAP submitted to the	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%
Submit quarterly performance reports to	No of performance	1 0%	1 0%	1 0%	1 0%	1 0%	1 0%	1 0%	1 0%	1 0%
Sub-function 3 - Internal audit Section										
Submit quarterly performance reports to of the	No of performance	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%
Implement public education campaigns on	No of education	1 0%	1 0%	1 0%	1 0%	1 0%	1 0%	1 0%	1 0%	1 0%
<b>Function 2 - Local Economic</b>										
Sub-function 1 - Economic										
Arrange meetings with possible investors for	No meetings	1 0%	1 0%	1 0%	1 0%	1 0%	1 0%	1 0%	1 0%	1 0%
Awareness programmes through	Number of campaigns	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%
Sub-function 2 - Office of the Mayor										
Complete a rural development strategy	Strategy approved	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%
Establish commonage committee	Committee established	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%
Sub-function 3 - Public Safety										
Establish community safety plans in	Number of plans	1 0%	1 0%	1 0%	1 0%	1 0%	1 0%	1 0%	1 0%	1 0%
Inspect and assess Infrastructure and role	Number of reports	1 0%	1 0%	1 0%	1 0%	1 0%	1 0%	1 0%	1 0%	1 0%
<b>Vote 2 - Finance and Admin</b>										
<b>Function 1 - Directorate Chief Financial</b>										
Sub-function 1 - Directorate CFO										
Submit the annual financial statements by the	Statements submitted	4 0%	4 0%	4 0%	4 0%	4 0%	4 0%	4 0%	4 0%	4 0%
Monthly financial reporting to council	No of reports	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%
Sub-function 2 - Financial Services										
Completion of a Revenue Enhancement	% Completion	3 0%	3 0%	3 0%	3 0%	3 0%	3 0%	3 0%	3 0%	3 0%
Achievement of a payment percentage of	Payment %	5 0%	5 0%	5 0%	5 0%	5 0%	5 0%	5 0%	5 0%	5 0%
Sub-function 3 - Assessment Rates										
Complete the Supplementary Valuation Roll by	Valuation Roll completed	4 0%	4 0%	4 0%	4 0%	4 0%	4 0%	4 0%	4 0%	4 0%
Prepare and submit the adjustments	Approved main &	3 0%	3 0%	3 0%	3 0%	3 0%	3 0%	3 0%	3 0%	3 0%
<b>Function 2 - Public Participation</b>										
Sub-function 1 - DCCDS										
Annual workshop with ward committees to	Workshop held	3 0%	3 0%	3 0%	3 0%	3 0%	3 0%	3 0%	3 0%	3 0%
Compile contingency plans for all	Number of plans	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%
Sub-function 2 - Public Safety										
Increase capacity of traffic services to	Number of staff appointed	3 0%	3 0%	3 0%	3 0%	3 0%	3 0%	3 0%	3 0%	3 0%
Road safety awareness campaigns held in	Number of campaigns	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%
Sub-function 3 - Community Services										
Participate in annual National Amwe Awe	Number of joint	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%
Speed law enforcement (direct prosecution)	# of enforcement	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%
<b>Vote 3 - Basic Service Delivery</b>										
<b>Function 1 - Infrastructure Services</b>										
Sub-function 1 - Directorate										
Provide consideration (decisions) on building	% building plans	1 0%	1 0%	1 0%	1 0%	1 0%	1 0%	1 0%	1 0%	1 0%
Implement the De Aar and Hanover	Number of sites serviced	3 0%	3 0%	3 0%	3 0%	3 0%	3 0%	3 0%	3 0%	3 0%
Sub-function 2 - Water										
Implementation of the WCWDM project funded	% of approved project	4 0%	4 0%	4 0%	4 0%	4 0%	4 0%	4 0%	4 0%	4 0%
Spent the approved maintenance budget	% of approved	4 0%	4 0%	4 0%	4 0%	4 0%	4 0%	4 0%	4 0%	4 0%
Sub-function 3 - Water and Waste										
Planning of new boreholes for De Aar	DWA approval and	4 0%	4 0%	4 0%	4 0%	4 0%	4 0%	4 0%	4 0%	4 0%
Water quality as per blue drop	% water quality level	9 0%	9 0%	9 0%	9 0%	9 0%	9 0%	9 0%	9 0%	9 0%
<b>Function 2 - Waste Water Management</b>										
Sub-function 1 - Waste Water										
Submit business plan to council by end June	Business plan submitted	3 0%	3 0%	3 0%	3 0%	3 0%	3 0%	3 0%	3 0%	3 0%
Spent the approved maintenance budget	% of approved	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%	2 0%
Sub-function 2 - Road Transport										
Construct new tar roads	No of kilometers	4 0%	4 0%	4 0%	4 0%	4 0%	4 0%	4 0%	4 0%	4 0%
Spent the approved maintenance budget	% of approved	213%	213%	213%	213%	213%	213%	213%	213%	213%
Sub-function 3 - Infrastructural										
Complete and submit business plan to MIG by	Business plan submitted	3 0%	3 0%	3 0%	3 0%	3 0%	3 0%	3 0%	3 0%	3 0%
Electricity Master plan	Completed plan	5 0%	5 0%	5 0%	5 0%	5 0%	5 0%	5 0%	5 0%	5 0%
And so on for the rest of the Votes										

### 2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:



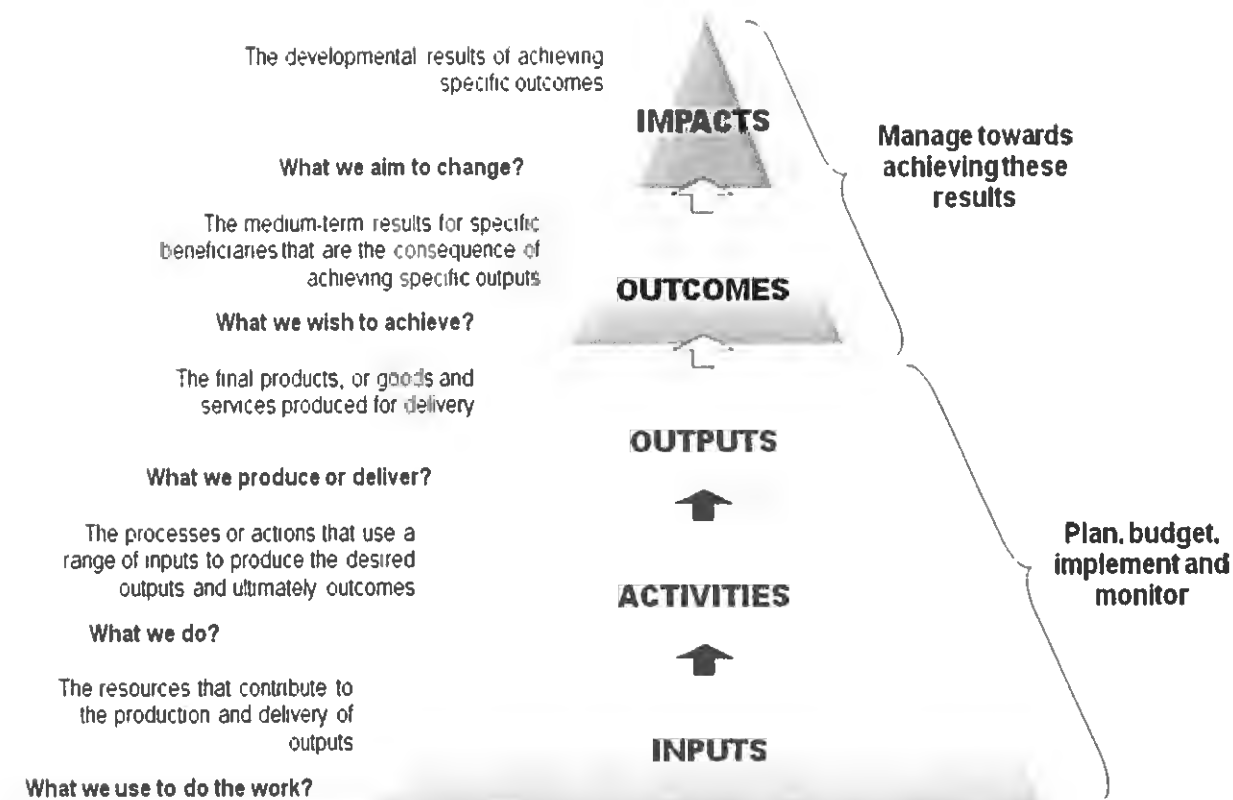
**Figure 2 Planning, budgeting and reporting cycle**

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what Purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury:

✓



**Figure 3 Definition of performance information concepts**

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

*[Handwritten signature]*

The following table sets out the municipalities main performance objectives and benchmarks for the 2016/17 MTREF.

NC073 Emkhazeni - Supporting Table SA8 Performance Indicators and benchmarks											
Description of financial indicator	Basis of calculation	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Borrowing Management</b>											
Credit Rating		B	B	B	B	B	B	B			
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	1.8%	1.5%	1.6%	3.0%	2.1%	2.1%	2.1%	2.9%	2.6%	2.9%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	3.3%	3.0%	2.7%	3.9%	2.7%	2.7%	2.7%	3.5%	3.4%	3.2%
Borrowed funding of own capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Safety of Capital</b>											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Liquidity</b>											
Current Ratio	Current assets/current liabilities	3.4	2.9	2.7	3.3	3.0	3.0	3.0	3.5	3.5	3.5
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	3.4	2.9	2.7	3.3	3.0	3.0	3.0	3.5	3.5	3.5
Liquidity Ratio	Monetary Assets/Current Liabilities	0.4	0.3	0.3	0.4	0.1	0.1	0.1	0.3	0.4	0.3
<b>Revenue Management</b>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		82.4%	92.1%	62.3%	92.2%	94.5%	94.5%	94.5%	93.3%	93.4%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		82.4%	92.1%	62.3%	92.2%	94.5%	94.5%	94.5%	93.3%	93.4%	77.5%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	36.1%	25.4%	25.8%	14.5%	13.8%	13.8%	13.8%	15.7%	15.1%	9.3%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
<b>Creditors Management</b>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))	99.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Creditors to Cash and Investments		116.1%	7349.5%	1744.9%	2520.0%	346.8%	346.8%	346.8%	958.7%	2207.1%	1133.8%
<b>Other Indicators</b>											
Electricity Distribution Losses (2)	Total Volume Losses (kW)	8234071	7428611	6700414	6200000	6200000	6200000	6200000	5580000	5022000	4519800
	Total Cost of Losses (Rand '000)	5 599	5 497	5 293	5 000	5 000	5 000	5 000	4 900	4 802	4 708
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Water Distribution Losses (2)		15	13	12	12	12	12	12	12	11	11
	Total Volume Losses (kℓ)	565	652	372	550	550	550	550	528	507	487
	Total Cost of Losses (Rand '000)	386444	497258	310646	450500	450500	450500	450500	441490	432660.2	424007
	% Volume (units purchased and generated less units sold)/units purchased and generated										
		19	17	14	16	16	16	16	15	15	15
Employee costs	Employee costs/(Total Revenue - capital revenue)	34.4%	32.6%	34.4%	31.6%	32.2%	32.2%	32.2%	32.1%	33.1%	22.9%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	34.7%	34.9%	34.5%	33.7%	34.4%	34.4%		34.4%	35.4%	24.5%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	5.2%	6.3%	5.8%	7.8%	8.0%	8.0%		7.7%	8.4%	8.9%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	43.3%	36.4%	32.2%	5.6%	6.2%	6.2%	6.2%	5.9%	7.3%	7.6%
<b>IDP regulation financial viability indicators</b>											
i. Debt coverage	(Total Operating Revenue Operating Grants)/Debt service payments due within financial year)	34.1	31.5	32.3	98.1	98.1	98.1	111.8	212.6	212.0	349.2
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	60.3%	41.0%	41.5%	22.0%	21.8%	21.8%	21.8%	24.7%	23.7%	13.8%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	1.0	0.0	(0.1)	0.0	0.3	0.3	0.3	0.1	0.0	0.1

## 2.4 Performance indicators and benchmarks

### 2.4.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Emthanjeni's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the Municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2016/17 MTREF:

- *Borrowing to asset ratio* is a measure of the long-term borrowing as a percentage of the total asset base of the municipality. The ratio will remain at 0 throughout the MTREF due to the fact that the municipality will pay off the final instalment of its long term borrowing during 2015/16 financial year. The municipality also has not planned to enter into any long term debt during the 2016/17 MTREF.
- *Capital charges to operating expenditure* are a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing has fluctuated from 2.9 per cent in 2016/17, 2.6 per cent in 2017/18 and 2.9 per cent in 2017/18. This represents an increase as during the 2015/16 this ratio is at 2.1 percent this due to the municipality entering into a lease for infrastructural vehicles which increases interest expense.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of the Municipality to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs.

### 2.4.2 Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, over final and tax provisions as a percentage of funds and reserves. During the 2016/17 financial year the ratio deteriorated to a level 0.1 per cent.
- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves. Between 2012/13 and 2018/19 the gearing ratio peaked at 0.0 per cent. This was primarily a result of the increased borrowing levels and decreasing funds and reserves. While the gearing ratio remain constant in the 2016/17 financial year, the medium term strategy is to steadily increase the gearing ratio to a level that does not exceed 5 per cent as a prudential limit.

### 2.4.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. For the 2016/17 MTREF the current ratio is 3.5 in the 2016/17 financial year. Going forward it will be necessary to maintain these levels.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2016/17 financial year the ratio was 0.3 and as part of the financial planning strategy it has been increased to 0.4 in the 2017/18 financial year. This needs to be considered a pertinent risk for the



municipality as any under collection of revenue will translate into serious financial challenges for the Municipality. As part of the longer term financial planning objectives this ratio will have to be set at a minimum of 1.

#### **2.4.4 Revenue Management**

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection. A Debt Collection firm has been appointed to recover arrear monies from consumers.

#### **2.4.5 Creditors Management**

- The Municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100 per cent compliance rate to this legislative obligation. This has had a favourable impact on suppliers' perceptions of risk of doing business with the Municipality, which is expected to benefit the Municipality in the form of more competitive pricing of tenders, as suppliers compete for the Municipality's business.

#### **2.4.6 Other Indicators**

- The electricity distribution losses has decreased from 14.8 per cent in the 2012/13 financial year to 10.5 per cent in 2018/19. The initiatives to ensure these targets are achieved include managing illegal connections and theft of electricity by rolling out smart metering systems, including prepaid meters, and the hiring of a meter readers that prevent increasing illegal connections.
- The water distribution losses have been significantly reduced from 19.2 per cent in 2012/13 to 14.5 per cent in 2018/19. This has been achieved with the introduction of a water leakage report and action centre. Various awareness programmes are unfolding to reduce these losses and also to repair these leakages.
- Employee costs as a percentage of operating revenue decreases over the MTREF. This is primarily owing to the high increase in bulk purchases which directly increase revenue levels, as well as increased allocation relating to operating grants and transfers.
- Similar to that of employee costs, repairs and maintenance as percentage of operating revenue is also decreasing owing directly to cost drivers such as bulk purchases increasing far above inflation. In real terms, repairs and maintenance has increased as part of the Municipality's strategy to ensure the management of its asset base.

### **2.5 Free Basic Services: basic social services package for indigent households**

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. With the exception of water, only registered indigents qualify for the free basic services.

For the 2015/16 financial year 3 334 registered indigents have been provided for in the budget with this figured increasing to almost 4 000 by 2016/17. In terms of the Municipality's indigent policy registered households are entitled to 8kl free water, 50 kwh of electricity, sanitation and free waste removal once a week, as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement).



Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc) are not taken into account in the table noted above.

## **2.6 Providing clean water and managing waste water**

The Municipality is the Water Services Authority for the entire municipality in terms of the Water Services Act, 1997 and acts as water services provider.

The Department of Water Affairs conducts an annual performance rating of water treatment works, presenting a Blue Drop or Green Drop award respectively to potable water treatment works and waste water treatment works that meet certain criteria of excellence.

Emthanjeni Municipality is striving to obtain full Blue Drop status in 2016/17, indicating that the Municipality's drinking water is of exceptional quality.

The following is briefly the main challenges facing the Municipality in this regard:

- The infrastructure at most of the waste water treatment works is old and insufficient to treat the increased volumes of waste water to the necessary compliance standard;
- Shortage of skilled personnel makes proper operations and maintenance difficult;
- Electrical power supply to some of the plants is often interrupted which hampers the purification processes; and

## **2.7 Overview of budget related-policies**

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

### **2.7.1 Review of credit control and debt collection procedures/policies**

The Collection Policy as approved by Council in May 2015. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, the Integrated Indigent Exit Programme aims to link the registered indigent households to development, skills and job opportunities. The programme also seeks to ensure that all departments as well as external role players are actively involved in the reduction of the number of registered indigent households.

The 2016/17 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 96 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy. The policy is currently being revised.



### **2.7.2 Asset Management, Infrastructure Investment and Funding Policy**

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets). The policy is currently being revised.

### **2.7.3 Budget Adjustment Policy**

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the Municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions. The policy is currently being revised.

### **2.7.4 Supply Chain Management Policy**

The Supply Chain Management Policy was adopted by Council in September 2007. An amended policy has been approved by council on the 31 May 2016. The policy is currently being revised.

### **2.7.5 Budget and Virement Policy**

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations. The Budget and Virement Policy was approved by Council in May 2009 and was amended during May 2014 in respect of both Operating and Capital Budget Fund Transfers. An amended policy has been approved by council on the 31 May 2016. The policy is currently being revised.

### **2.7.6 Cash Management and Investment Policy**

The Municipality's Cash Management and Investment Policy was amended by Council in May 2015. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduce time frames to achieve certain benchmarks. An amended policy has been approved by council on the 31 May 2016. The policy is currently being revised.





### **2.7.7 Tariff Policies**

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years. An amended policy has been approved by council on the 31 May 2016. The policy is currently being revised.

### **2.7.8 Financial Modelling and Scenario Planning Policy**

The Financial Modelling and Scenario Planning Policy has directly informed the compilation of the 2016/17 MTREF with the emphasis on affordability and long-term sustainability. The policy dictates the approach to longer term financial modelling. The outcomes are then filtered into the budget process. The model and scenario planning outcomes are taken to Council every November and then translate into recommendations for the budget guidelines that inform the compilation of the next MTREF. One of the salient features of the policy is the emphasis on financial sustainability. Amongst others, the following has been modelled as part of the financial modelling and scenario planning process:

- Approved 2015/16 Adjustments Budget;
- Cash Flow Management Interventions, Initiatives and Strategies (including the cash backing of reserves);
- Economic climate and trends (i.e Inflation, household debt levels, indigent factors, growth, recessionary implications);
- Loan and investment possibilities;
- Performance trends;
- Tariff Increases;
- The ability of the community to pay for services (affordability);
- Policy priorities;
- Improved and sustainable service delivery; and
- Debtor payment levels.

All the above policies are available on the Municipality's website, as well as the following budget related policies:

- Property Rates Policy;
- Funding and Reserves Policy;
- Borrowing Policy;
- Budget Policy; and
- Basic Social Services Package (Indigent Policy).

The policy is currently being revised.



## **2.8 Overview of budget assumptions**

The following assumptions were crucial and determining factors during the budget process and the preparations of the budget.

### **ASSUMPTIONS**

- National Treasury direction or guidelines on budget increases that must be in line with the macro-economic strategy as reflected in the MFMA Budgetary Circular 78 and 79.
- Inflation is just within the Reserve Bank parameter of 6% but it does not really reflect the real price increases on the ground.
- NERSA tariff increase guideline stated that municipalities should budget for increases of 7.64% . The average increment will be as from 01 July 2016 which , will not only have a direct impact on the sale and procurement of electricity but on price hikes in general.
- The current situation at ESKOM is also contributing to the uncertainties and uncontrollable factors experienced by South Africans as a whole.
- Salary increases for the next Financial Year are estimated at 6% as per SALGBC circular.
- Apart from the normal salary increments, Medical Aid Employer contribution increments will be between 6% and 9%. This places a heavier financial burden on the revenue sources and impacts on the tariff calculations as a whole.
- General increases in purchasing or cost price of normal items increase on average between 8-15 % in comparison with the same period last year.
- The weak Rand, Foreign Exchange Rate and the increase in Oil prices are also not favourable to the current economic outlook.
- The macro- economic outlook impacts not only directly on municipalities but forces municipalities to operate within their budgetary means. Expenditure control will be a major controlling factor for the years to come.
- Repair and maintenance costs, together with labour costs of repairing municipal assets, also fall victim of the huge price hikes which need to be taken into consideration. This is an area where much more investment will be required over the next few years.

## **FORECASTING OF REVENUE AND EXPENDITURE**

### **2. REVENUE**

#### **1.1. RATES AND TAXES**

- Tariffs will increase and decrease depending on the valuation of the property.
- conservatively an increment of 6 % for properties is being anticipated, but the main levy driver will be the valuation of properties. Various categories of properties are being levied differently.

## **1.2. ELECTRICITY**

- Electricity Tariffs will increase on a total average between 7.6% for the block of 0-350 kWh and 7.64% for a consumption of 351 and more kWh as from 01 July 2016 for prepaid and conventional electricity meters. Final approval for electricity tariffs is still outstanding from NERSA.

## **1.3. WATER**

- Water will increase by 6 %.
- All economically active households received 6kl of free and will only be levied from the seventh kilolitre of water.
- Only Indigent Households will be getting the first 8000 liters of water free as it is included their Free Basic Services Basket.

## **1.4. SEWERAGE AND REFUSE REMOVAL**

- Both Tariffs will increase by 6 %.

## **1.5. SECONDARY TARIFFS**

- Secondary Tariffs will increase by  $\pm$  9-10 % for the 2016/2017 financial year.

***The total budgeted average increment for all revenue sources will be between 5-8 %, except for electricity where the levy can increase by more than the average increment.***

## **EXPENDITURE**

### **2.1 EMPLOYEE COSTS: SALARIES AND WAGES**

- Salaries and wages has been provided at an increment of 6%

### **2.2 EMPLOYEE COSTS: BENEFIT CONTRIBUTIONS**

- A provision of an average increment of 6 % has been provided

### **2.8 REPAIR AND MAINTENANCE**

- A provision of an average increment of 8 % will provided. This shows Council's commitment to the maintenance of all assets.

### **2.9 BULK PURCHASES**

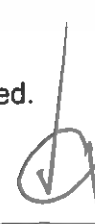
- Electricity purchases will increase on a weighed average of 7.64 % from 01 July 2016 and water will increase on average by 6 %.

### **2.10 CAPITAL CHARGES**

- A Capital Charges will increase due the fleet augmentation primary

### **2.11 GENERAL COSTS**

- A provision of an average increment of 8% will provided.



## 2.12 PROVISION FOR BAD DEBTS

- A provision of an average increment of 9% has been provided on all budgeted levied revenue.

## **BUDGET ANALYSIS**

- The overall increases during the 2016/2017 and 2017/2018 financial years reflect an annual increment of  $\pm 4-6\%$  and in 2017/2018 budget year an average increase of 7% will be expected. This is mainly due to the non- allocation of Capital Grant Funding as gazetted in the DORA
- The total tariff increment will be  $\pm 6\%$  which is in line with the expectations of National Treasury, with the exception of the electricity tariff.
- Electricity tariff increments are as per NERSA's guidelines.
- The general tariff increment between 6-9% is also in line with the current economic data available.
- The Budget is realistic and external or macro-economic factors, as well as micro-economic factors, were taken into consideration. However, the Municipality has no control over these macro conditions that impact very heavily on the operations of the Municipality. These are interest rates, fuel prices, inflation rates, high food prices, unemployment rate, and also statutory levies imposed by National and Provincial Governments, etc.
- The Budget is very much driven by income generation and also focusses on building and maintaining infrastructure development within the Emthanjeni Municipality.
- All budgeted income will be realised through the extensive efforts that will be enforced by the officialdom.
- Strict expenditure mechanisms will be enforced to ensure that the key Strategic Objectives of the Municipality are achieved.
- Budget is in line with the policies of Council, especially directed at the poorest of the poor, with the provision of Free Basic Services to all qualifying Indigent Households.
- Local Economic Development opportunities have been identified in order to provide sustainable LED projects for the communities.
- The Budget is also biased towards the Indigent Households within the Municipality.



## **BUDGET RELATED POLICIES**

Council adopted the following policies during Council meeting held on 31 May 2016 for consideration of the Budget:

- (i) Revised IDP
- (ii) Revised Budget Policy
- (iii) Revised Credit Control Policy
- (iv) Revised Indigent Policy
- (v) Tariff Policy
- (vi) Revised Rates Policy
- (vii) Revised Customer Care Policy
- (viii) Investment and Cash Management Policy
- (ix) Service Delivery and Budget Implementation Plan (SDBIP)
- (x) Revised Supply Chain Management Policy
- (xi) Revised Asset Management Policy

## **CONCLUSION**

The Budget is also income driven and Emthanjeni Municipality is committed to sustainability and improvement of service delivery to all its residents. The various initiatives that Council will be undertaking will mould and cement its mandate to improve the lives of all residents by focussing on the poor and creating an environment conducive to local economic development.

The Budget is prepared under the imperative mandate that it is a realistic budget.



## 2.8 Overview of budget funding

### 2.9.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

NC073 Emthanjeni - Table A4 Budgeted Financial Performance (revenue and expenditure)			
Description	2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Revenue By Source</b>			
Property rates	30 665	30 915	51 010
Property rates - penalties & collection charges	-	-	-
Service charges - electricity revenue	56 203	59 373	97 965
Service charges - water revenue	25 864	27 170	44 830
Service charges - sanitation revenue	15 972	16 271	26 847
Service charges - refuse revenue	8 226	8 478	13 989
Service charges - other	118	270	445
Rental of facilities and equipment	786	732	885
Interest earned - external investments	806	854	1 409
Interest earned - outstanding debtors	954	1 011	1 669
Dividends received	-	-	-
Fines	6 943	6 935	11 444
Licences and permits	2 508	2 097	3 460
Agency services	-	-	-
Transfers recognised - operational	41 210	41 753	47 657
Other revenue	27 195	28 688	47 256
Gains on disposal of PPE	130	139	148
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>217 580</b>	<b>224 687</b>	<b>349 014</b>

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as water, electricity, sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the Municipality and economic development;
- Revenue management and enhancement;
- Achievement of a 96 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.



The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The proposed tariff increases for the 2016/17 MTREF on the different revenue categories are:

**Table 27 Proposed tariff increases over the medium-term**

Revenue category	2016/17 proposed tariff increase	2017/18 proposed tariff increase	2018/19 proposed tariff increase
	%	%	%
Property rates	6	6	6
Sanitation	6	6	6
Solid Waste	6	6	6
Water	6	6	6
Electricity	7.4	9.5	10.5

Revenue to be generated from property rates is R30, 665 million in the 2016/17 financial year and increases to R51, 010 million by 2018/19 which represents 14 per cent of the operating revenue base of the Municipality. It remains relatively constant over the medium-term. With the implementation of the Municipal Property Rates Act the basis of rating significantly changed.

Operational grants and subsidies amount to R41,210 million, R41, 753 million and R47, 657 million for each of the respective financial years of the MTREF, or 18.9, 15.58 and 13.65 per cent of operating revenue. It needs to be noted that in real terms the grants receipts from national government are changing over the MTREF..

Investment revenue contributes marginally to the revenue base of the Municipality with a budget allocation of R1, 760 million, R1, 865 million and R3, 078 million for the respective three financial years of the 2016/17 MTREF. It needs to be noted that these allocations have been conservatively estimated and as part of the cash backing of reserves and provisions. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.



The tables below provide detail investment information and investment particulars by maturity.

**Table 28 MBRR SA15 – Detail Investment Information**

NC073 Emthanjeni - Supporting Table SA15 Investment particulars by type

Investment type	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand										
Parent municipality										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank		14	21	26	17 644	14 163	14 163	10 103	9 768	9 373
Deposits - Public Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
Municipal Bonds										
Municipality sub-total	1	14	21	26	17 644	14 163	14 163	10 103	9 768	9 373
Entities										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank										
Deposits - Public Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
Entities sub-total		-	-	-	-	-	-	-	-	-
Consolidated total:		14	21	26	17 644	14 163	14 163	10 103	9 768	9 373

**Table 29 MBRR SA16 – Investment particulars by maturity**

NC073 Emthanjeni - Supporting Table SA16 Investment particulars by maturity

Investments by Maturity	Ref	Period of Investment	Type of Investment	Capital Guarantee (Yes/No)	Variable or Fixed interest rate	Interest Rate %	Commission Paid (Rands)	Commission Recipient	Expiry date of investment	Opening balance	Interest to be realised	Partial / Premature Withdrawal (4)	Investment Top Up	Closing Balance
Name of institution & investment ID	1	Yrs/Months												
<b>Parent municipality</b>														
General Investment		Yes	Fixed Deposit	Yes	Yes	0.075	0	0	30/05/2016	13 448	715			14 163
														-
														-
														-
														-
														-
<b>Municipality sub-total</b>										13 448		-	-	14 163
<b>TOTAL INVESTMENTS AND INTEREST</b>	1									13 448		-	-	14 163



### **2.8.1 Medium-term outlook: capital revenue**

The following table is a breakdown of the funding composition of the 2016/17 medium-term capital programme:

**Table 30 Sources of capital revenue over the MTREF**

<b>Vote Description</b>	<b>2016/17 Medium Term Revenue &amp; Expenditure</b>		
<b>R thousand</b>	<b>Budget Year 2016/17</b>	<b>Budget Year +1 2017/18</b>	<b>Budget Year +2 2018/19</b>
<b>Funded by:</b>			
National Government	13 905	13 711	13 118
Provincial Government	–	–	–
District Municipality	–	–	–
Other transfers and grants	–	–	–
<b>Transfers recognised - capital</b>	<b>13 905</b>	<b>13 711</b>	<b>13 118</b>
<b>Public contributions &amp; donations</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Borrowing</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Internally generated funds</b>	<b>6 834</b>	<b>6 694</b>	<b>8 888</b>
<b>Total Capital Funding</b>	<b>20 739</b>	<b>20 405</b>	<b>22 006</b>

#### **Sources of capital revenue for the 2016/17 financial year**

Capital grants and receipts equates to 67.05 per cent of the total funding source which represents R13, 905 million for the 2016/17 financial year and decreases to R13, 711 million or 67.19 per cent by 2017/18 then for 2018/19 it increases to R13, 118 million or 59.61 per cent.

Internally generated funds consist of a mixture between surpluses generated on the operating statement of financial performance and cash backed reserves. In determining the credibility of this funding source it becomes necessary to review the cash flow budget as well as the cash backed reserves and accumulated funds reconciliation, as discussed below. Internally generated funds consist of R6, 834 million in 2016/17, R6, 694 in 2017/18 and R8, 888 million in 2018/19. The percentage funding remains constant over the MTEF period. This reflects the commitment of the municipality to invest in renewal of their existing assets.



The following table is a detailed analysis of the Municipality's borrowing liability.

**Table 31 MBRR Table SA 17 - Detail of borrowings**

**NC073 Emthanjani - Supporting Table SA17 Borrowing**

Table A17: Borrowing										
Borrowing - Categorized by type	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand										
<b>Parent municipality</b>										
Long-Term Loans (annuity/reducing balance)		6 008	3 231	37 747	14 777	2 348	2 348	-	-	-
Long-Term Loans (non-annuity)		-	-	-	-	-	-	-	-	-
Local registered stock		-	-	-	-	-	-	-	-	-
Instalment Credit		-	-	-	-	-	-	-	-	-
Financial Leases		-	-	-	-	-	-	-	-	-
PPP liabilities		-	-	-	-	-	-	-	-	-
Finance Granted By Cap Equipment Supplier		-	-	-	-	-	-	-	-	-
Marketable Bonds		-	-	-	-	-	-	-	-	-
Non-Marketable Bonds		-	-	-	-	-	-	-	-	-
Bankers Acceptances		-	-	-	-	-	-	-	-	-
Financial derivatives		-	-	-	-	-	-	-	-	-
Other Securities		-	-	-	-	-	-	-	-	-
<b>Municipality sub-total</b>	1	6 008	3 231	37 747	14 777	2 348	2 348	-	-	-
<b>Entities</b>										
Long-Term Loans (annuity/reducing balance)		-	-	-	-	-	-	-	-	-
Long-Term Loans (non-annuity)		-	-	-	-	-	-	-	-	-
Local registered stock		-	-	-	-	-	-	-	-	-
Instalment Credit		-	-	-	-	-	-	-	-	-
Financial Leases		-	-	-	-	-	-	-	-	-
PPP liabilities		-	-	-	-	-	-	-	-	-
Finance Granted By Cap Equipment Supplier		-	-	-	-	-	-	-	-	-
Marketable Bonds		-	-	-	-	-	-	-	-	-
Non-Marketable Bonds		-	-	-	-	-	-	-	-	-
Bankers Acceptances		-	-	-	-	-	-	-	-	-
Financial derivatives		-	-	-	-	-	-	-	-	-
Other Securities		-	-	-	-	-	-	-	-	-
<b>Entities sub-total</b>	1	-	-	-	-	-	-	-	-	-
<b>Total Borrowing</b>	1	6 008	3 231	37 747	14 777	2 348	2 348	-	-	-

No External loans will be entered into during the 2016/17 Medium Term Revenue and Expenditure Framework. The reminder of the municipal borrowings will be paid during 2016/17.

Therefore they will be considered as short term borrowings.

**Table 32 MBRR Table SA 18 - Capital transfers and grant receipts**

NC073 Emthanjeni - Supporting Table SA18 Transfers and grant receipts										
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>RECEIPTS:</b>	1, 2									
<b>Operating Transfers and Grants</b>										
<b>National Government:</b>		37 623	38 493	38 876	39 459	39 459	39 459	38 822	38 586	41 307
Local Government Equitable Share		34 323	34 819	35 342	35 929	35 929	35 929	36 197	36 886	39 607
Finance Management		1 500	1 550	1 600	1 600	1 600	1 600	1 625	1 700	1 700
Municipal Systems Improvement		800	890	934	930	930	930	-	-	-
EPWP Incentive		1 000	1 234	1 000	1 000	1 000	1 000	1 000	-	-
<b>Provincial Government:</b>		1 683	4 912	757	1 142	1 142	1 142	2 388	2 527	2 674
Health subsidy		1 001	1 150	-	-	-	-	1 227	1 288	1 363
Housing		-	458	-	-	-	-	-	-	-
Sport and Recreation		682	679	757	1 142	1 142	1 142	1 161	1 239	1 311
Department of Education		-	235	-	-	-	-	-	-	-
Department of Roads		-	2 389	-	-	-	-	-	-	-
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
<b>Other grant providers:</b>		-	2 050	-	-	-	-	-	-	-
Department of Water Affairs		-	2 050	-	-	-	-	-	-	-
<b>Total Operating Transfers and Grants</b>	5	39 306	45 455	39 633	40 601	40 601	40 601	41 210	41 113	43 981
<b>Capital Transfers and Grants</b>										
<b>National Government:</b>		16 141	13 102	12 708	56 565	13 398	13 398	14 602	14 342	13 798
Municipal Infrastructure Grant (MIG)		16 141	13 102	12 608	11 898	11 898	11 898	11 602	12 342	12 798
Regional Bulk Infrastructure		-	-	100	10 000	-	-	-	-	-
Integrated National Electrification Programme		-	-	-	1 500	1 500	1 500	3 000	2 000	1 000
Bucket Eradication Programme Grant		-	-	-	33 167	-	-	-	-	-
<b>Provincial Government:</b>		-	-	-	-	-	-	-	-	-
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
<b>Other grant providers:</b>		-	-	-	-	-	-	-	-	-
<b>Total Capital Transfers and Grants</b>	5	16 141	13 102	12 708	56 565	13 398	13 398	14 602	14 342	13 798
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>		55 447	58 557	52 341	97 166	53 999	53 999	55 812	55 455	57 779

## 2.8.2 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understand ability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

**Table 33 MBRR Table A7 - Budget cash flow statement**

NC073 Emthanjeni - Table A7 Budgeted Cash Flows											
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates, penalties & collection charges		13 593	17 407	23 732	25 578	25 578	25 578	25 578	27 999	28 239	49 909
Service charges		66 533	86 506	50 909	99 481	97 831	97 831	97 831	99 902	104 820	132 281
Other revenue		12 295	(2 790)	39 982	32 048	32 848	32 848	32 848	34 954	36 508	53 721
Government - operating	1	38 073	38 678	36 215	40 601	40 601	40 601	40 601	41 210	41 753	47 657
Government - capital	1	17 054	15 152	14 694	56 565	13 398	13 398	13 398	14 602	14 342	13 798
Interest		1 595	1 030	1 596	715	715	715	715	806	830	863
Dividends		-	-	-	-	-	-	-	-	-	-
<b>Payments</b>											
Suppliers and employees		(130 205)	(140 967)	(151 296)	(184 234)	(170 203)	(170 203)	(170 203)	(190 113)	(201 144)	(265 917)
Finance charges		(1 758)	(1 608)	(1 337)	(2 556)	(3 556)	(3 556)	(3 556)	(5 468)	(6 143)	(9 731)
Transfers and Grants	1	(305)	(750)	(225)	(12 938)	(11 662)	(11 662)	(11 662)	-	-	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>16 875</b>	<b>12 659</b>	<b>14 269</b>	<b>55 260</b>	<b>25 550</b>	<b>25 550</b>	<b>25 550</b>	<b>23 890</b>	<b>19 204</b>	<b>22 582</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE		558	990	1 186	124	124	124	124	130	139	148
Decrease (increase) in non-current debtors		-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables		-	-	(0)	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		79	-	-	2 800	30	30	30	-	-	-
<b>Payments</b>											
Capital assets		(13 822)	(21 552)	(14 194)	(62 298)	(19 121)	(19 121)	(19 121)	(20 739)	(20 405)	(22 006)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(13 186)</b>	<b>(20 562)</b>	<b>(13 008)</b>	<b>(59 374)</b>	<b>(18 967)</b>	<b>(18 967)</b>	<b>(18 967)</b>	<b>(20 610)</b>	<b>(20 266)</b>	<b>(21 858)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	5 046	-	-	-	-	-	-
Increase (decrease) in consumer deposits		-	-	-	135	135	135	135	98	90	71
<b>Payments</b>											
Repayment of borrowing		(2 275)	(2 504)	(2 777)	(4 084)	(1 028)	(1 028)	(1 028)	(588)	-	-
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>(2 275)</b>	<b>(2 504)</b>	<b>(2 777)</b>	<b>1 096</b>	<b>(894)</b>	<b>(894)</b>	<b>(894)</b>	<b>(590)</b>	<b>90</b>	<b>71</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		<b>1 415</b>	<b>(10 407)</b>	<b>(1 515)</b>	<b>(3 017)</b>	<b>5 690</b>	<b>5 690</b>	<b>5 690</b>	<b>2 691</b>	<b>(972)</b>	<b>795</b>
Cash/cash equivalents at the year begin:	2	9 225	10 640	233	3 624	(1 283)	(1 283)	(1 283)	(985)	1 706	734
Cash/cash equivalents at the year end	2	10 640	233	(1 283)	606	4 407	4 407	4 407	1 706	734	1 529

#### 2.9.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

**Table 34 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation**

NC073 Emthanjeni - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Cash and Investments available</b>											
Cash/cash equivalents at the year end	1	10 640	233	(1 283)	606	4 407	4 407	4 407	1 706	734	1 529
Other current investments > 90 days		(0)	(0)	(0)	2 322	(11 375)	(11 375)	(11 375)	0	0	0
Non current assets - investments	1	14	21	28	8 575	11 375	11 375	11 375	29	29	30
<b>Cash and Investments available:</b>		<b>10 654</b>	<b>254</b>	<b>(1 255)</b>	<b>11 503</b>	<b>4 407</b>	<b>4 407</b>	<b>4 407</b>	<b>1 734</b>	<b>763</b>	<b>1 558</b>
<b>Application of cash and Investments</b>											
Unspent conditional transfers		12 120	7 095	3 781	1 470	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	998	989	1 047
Other working capital requirements	3	(33 770)	(17 395)	(15 152)	(13 093)	(11 666)	(11 666)	(11 666)	(15 303)	(15 414)	(8 311)
Other provisions		-	-	-	-	-	-	-	1 942	2 067	2 511
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
<b>Total Application of cash and Investments:</b>		<b>(21 650)</b>	<b>(10 300)</b>	<b>(11 371)</b>	<b>(11 624)</b>	<b>(11 666)</b>	<b>(11 666)</b>	<b>(11 666)</b>	<b>(12 363)</b>	<b>(12 356)</b>	<b>(4 752)</b>
<b>Surplus(shortfall)</b>		<b>32 304</b>	<b>10 554</b>	<b>10 134</b>	<b>23 127</b>	<b>16 073</b>	<b>16 073</b>	<b>16 073</b>	<b>14 097</b>	<b>13 121</b>	<b>6 311</b>

From the above table it can be seen that the cash and investments available total R1, 734 million in the 2016/17 financial year however this decreases to R1, 558 million by 2018/19, including the projected cash and cash equivalents as determined in the cash flow forecast. The following is a breakdown of the application of this funding:

Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been discontinued. During the 2013/14 financial year the municipality was required to supply National Treasury with a detailed analysis of the unspent grants as well as an action plan of spending the grants.

There is no unspent borrowing from the previous financial years. In terms of the municipality's Borrowing and Investments Policy, borrowings are only drawn down once the expenditure has been incurred against the particular project. Unspent borrowing is ring-fenced and reconciled on a monthly basis to ensure no unnecessary liabilities are incurred.

- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. High levels of debtor non-payment and receipt delays will have a greater requirement for working capital, as was experienced by the Municipality in 2016/17 resulting in cash flow challenges. For the purpose of the cash backed reserves and accumulated surplus reconciliation a provision equivalent to one month's operational expenditure has been provided for. It needs to be noted that although this can be considered prudent, the desired cash levels should be 60 days to ensure continued liquidity of the municipality. Any underperformance in relation to collections could place upward pressure on the ability of the Municipality to meet its creditor obligations.
- Most reserve fund cash-backing is discretionary in nature, but the reserve funds are not available to support a budget unless they are cash-backed. The reserve funds are not fully cash-backed. The level of cash-backing is directly informed by the municipality's cash backing policy. These include the rehabilitation of landfill sites and quarries.

### 2.8.3 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

**Table 35 MBRR SA10 – Funding compliance measurement**

NC073 Emthanjeni Supporting Table SA10 Funding measurement

Description	MFMA section	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Funding measures												
Cash/cash equivalents at the year end - R'000	18(1)b	1	10 640	233	(1 283)	606	4 407	4 407	4 407	1 706	734	1 529
Cash + investments at the yr end less applications - R'000	18(1)b	2	32 304	10 554	10 134	23 127	16 073	16 073	16 073	14 097	13 121	6 311
Cash year end/monthly employee/supplier payments	18(1)b	3	1.0	0.0	(0.1)	0.0	0.3	0.3	0.3	0.1	0.0	0.1
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	(42 686)	(70 534)	(49 091)	56 615	14 280	14 280	14 280	23 555	12 417	41 399
Service charge rev % change - macro CPIX target exclusive	18(1)a.(2)	5	N.A.	10.1%	0.2%	7.2%	9.7%	(6.5%)	15.6%	-	-	59.0%
Cash receipts % of Ratepayer & Other revenue	18(1)a.(2)	6	77.9%	74.1%	74.8%	92.3%	94.1%	94.1%	94.1%	92.8%	93.2%	78.7%
Debt impairment expense as a % of total billable revenue	18(1)a.(2)	7	12.4%	47.2%	29.8%	8.4%	7.8%	7.8%	7.8%	6.5%	8.3%	8.3%
Capital payments % of capital expenditure	18(1)c	8	100.7%	100.0%	100.0%	92.5%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	0.0%	0.0%	44.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt legislated/gazetted allocations	18(1)a	10	-	-	-	-	-	-	-	100.0%	101.2%	106.4%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	1.0%	7.7%	(38.7%)	(6.5%)	0.0%	0.0%	19.1%	-	3.5%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0.0%	8.6%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	0.9%	1.3%	1.3%	1.8%	1.8%	1.8%	1.8%	1.8%	2.0%	3.3%
Asset renewal % of capital budget	20(1)(vi)	14	39.6%	42.9%	2.5%	16.9%	33.1%	33.1%	0.0%	32.5%	38.2%	40.4%

#### 2.9.4.1 Cash/cash equivalent position

The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2016/17 MTREF shows R1, 706 million, R0, 734 million and R1, 529 million for each respective financial year.

#### 2.9.4.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 25. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

#### 2.9.4.3 Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. Notably, the ratio has been falling significantly for the period 2012/13 to 2018/19, moving from 1.0 to 0.1 with the adopted 2016/17 MTREF.

#### **2.9.4.4 Surplus/deficit excluding depreciation offsets**

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. For the 2016/17 MTREF the indicative outcome is a surplus of R22, 555 million, R12, 417 million and R41, 399 million.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

#### **2.9.4.5 Property Rates/service charge revenue as a percentage increase less macro inflation target**

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 3 - 6 per cent). The result is intended to be an approximation of the real increase in revenue. Considering the lowest percentage tariff increase in relation to revenue generated from rates and services charges is 6 per cent, with the increase in electricity at 8 per cent it is to be expected that the increase in revenue will exceed the inflation target figures. However, the outcome is lower than it might be due to the slowdown in the economy and a reduction in consumption patterns. This trend will have to be carefully monitored and managed with the implementation of the budget.

#### **2.9.4.6 Cash receipts as a percentage of ratepayer and other revenue**

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 92.8%, 93.2% and 78.7%. 3 per cent for each of the respective financial years. Given that the assumed collection rate was based on a 92 per cent performance target, the cash flow statement has been conservatively determined. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly?

#### **2.9.4.7 Debt impairment expense as a percentage of billable revenue**

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 6.5%, 8.3% and 8.3% per cent over the MTREF. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.



#### **2.9.4.8 Capital payments percentage of capital expenditure**

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 2 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

#### **2.9.4.9 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)**

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded. It can be seen that there are zero borrowing budgeted for during the 2016/17 MTREF.

#### **2.9.4.10 Transfers/grants revenue as a percentage of Government transfers/grants available**

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers.

#### **2.9.4.11 Consumer debtors change (Current and Non-current)**

The purpose of these measures are to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the Municipality's policy of settling debtors accounts within 30 days.

#### **2.9.4.12 Repairs and maintenance expenditure level**

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. Details of the Municipality's strategy pertaining to asset management and repairs and maintenance are contained in Table 60 MBRR SA34C.

#### **2.9.4.13 Asset renewal/rehabilitation expenditure level**

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets. Further details in this regard are contained in Table 59 MBRR.





## 2.9.5 Expenditure on grants and reconciliations of unspent funds

**Table 36 MBRR SA19 - Expenditure on transfers and grant programmes**

NC073 Emthanjeni - Supporting Table SA19 Expenditure on transfers and grant programme										
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>EXPENDITURE:</b>	†									
<b>Operating expenditure of Transfers and Grants</b>										
National Government:		37 573	38 259	38 876	39 459	39 459	39 459	38 822	38 586	41 307
Local Government Equitable Share		34 323	34 819	35 342	35 929	35 929	35 929	36 197	36 886	39 607
Finance Management		1 500	1 550	1 600	1 600	1 600	1 600	1 625	1 700	1 700
Municipal Systems Improvement		800	890	934	930	930	930	-	-	-
EPWP Incentive		950	1 000	1 000	1 000	1 000	1 000	1 000	-	-
Provincial Government:		1 683	6 811	757	1 142	1 142	1 142	2 388	2 527	2 674
Health subsidy		1 001	1 311	-	-	-	-	1 227	1 288	1 363
Housing		-	268	-	-	-	-	-	-	-
Sport and Recreation		682	679	757	1 142	1 142	1 142	1 161	1 239	1 311
Department of Education		-	2 503	-	-	-	-	-	-	-
Department of Roads		-	2 050	-	-	-	-	-	-	-
District Municipality:		-	-	-	-	-	-	-	-	-
Other grant providers:		-	-	-	-	-	-	-	-	-
<b>Total operating expenditure of Transfers and Grants:</b>		<b>39 256</b>	<b>45 070</b>	<b>39 633</b>	<b>40 601</b>	<b>40 601</b>	<b>40 601</b>	<b>41 210</b>	<b>41 113</b>	<b>43 981</b>
<b>Capital expenditure of Transfers and Grants</b>										
National Government:		16 141	14 362	11 908	56 565	13 398	13 398	13 905	13 711	13 118
Municipal Infrastructure Grant (MIG)		16 141	14 362	11 808	11 898	11 898	11 898	10 905	11 711	12 118
Regional Bulk Infrastructure		-	-	100	10 000	-	-	-	-	-
Integrated National Electrification Programme		-	-	-	1 500	1 500	1 500	3 000	2 000	1 000
Bucket Eradication Programme Grant		-	-	-	33 167	-	-	-	-	-
Provincial Government:		-	-	-	-	-	-	-	-	-
District Municipality:		-	-	-	-	-	-	-	-	-
Other grant providers:		-	-	-	-	-	-	-	-	-
<b>Total capital expenditure of Transfers and Grants</b>		<b>16 141</b>	<b>14 362</b>	<b>11 908</b>	<b>56 565</b>	<b>13 398</b>	<b>13 398</b>	<b>13 905</b>	<b>13 711</b>	<b>13 118</b>
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>		<b>55 397</b>	<b>59 433</b>	<b>51 541</b>	<b>97 166</b>	<b>53 999</b>	<b>53 999</b>	<b>55 115</b>	<b>54 824</b>	<b>57 099</b>

**Table 37 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds**

NC073 Emthanjani - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds								2016/17 medium term revenue & expenditure forecast		
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast			
<b>Operating transfers and grants:</b>	1,3									
<b>National Government:</b>										
Balance unspent at beginning of the year										
Current year receipts		41 827	40 840	38 793	39 459	39 459	39 459	38 822	39 226	44 983
Conditions met - transferred to revenue		41 827	40 840	38 793	39 459	39 459	39 459	38 822	39 226	44 983
Conditions still to be met - transferred to liabilities										
<b>Provincial Government:</b>										
Balance unspent at beginning of the year										
Current year receipts		1 683	4 912	757	1 142	1 142	1 142	2 388	2 527	2 674
Conditions met - transferred to revenue		1 683	4 912	757	1 142	1 142	1 142	2 388	2 527	2 674
Conditions still to be met - transferred to liabilities										
<b>District Municipality:</b>										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
<b>Other grant providers:</b>										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
<b>Total operating transfers and grants revenue</b>		43 510	45 752	39 550	40 601	40 601	40 601	41 210	41 753	47 657
<b>Total operating transfers and grants - CTBM</b>	2	-	-	-	-	-	-	-	-	-
<b>Capital transfers and grants:</b>	1,3									
<b>National Government:</b>										
Balance unspent at beginning of the year										
Current year receipts		12 139	15 313	13 833	55 958	12 791	12 791	13 905	13 711	13 118
Conditions met - transferred to revenue		12 139	15 313	13 833	55 958	12 791	12 791	13 905	13 711	13 118
Conditions still to be met - transferred to liabilities										
<b>Provincial Government:</b>										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
<b>District Municipality:</b>										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
<b>Total capital transfers and grants - CTBM</b>	2	-	-	-	-	-	-	-	-	-
<b>TOTAL TRANSFERS AND GRANTS - CTBM</b>		-	-	-	-	-	-	-	-	-

## 2.9.6 Councillor and employee benefits

Table 38 MBRR SA22 - Summary of councillor and staff benefits

NC073 Emthanjeni - Supporting Table SA22 Summary councillor and staff benefits										
Summary of Employee and Councillor remuneration	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
	1	A	B	C	D	E	F	G	H	I
<b>Councillors (Political Office Bearers plus Other)</b>										
Basic Salaries and Wages		2 475	2 920	2 962	3 170	3 170	3 170	3 451	3 508	3 753
Pension and UIF Contributions		-	338	-	-	-	-	-	-	-
Medical Aid Contributions		-	38	-	-	-	-	-	-	-
Motor Vehicle Allowance		825	629	985	1 051	1 051	1 051	1 150	1 169	1 251
Cellphone Allowance		183	198	314	313	313	313	395	394	422
Housing Allowances		-	-	-	-	-	-	-	-	-
Other benefits and allowances		20	34	-	47	47	47	51	51	55
<b>Sub Total - Councillors</b>		<b>3 503</b>	<b>4 157</b>	<b>4 261</b>	<b>4 580</b>	<b>4 580</b>	<b>4 580</b>	<b>5 046</b>	<b>5 122</b>	<b>5 481</b>
% Increase	4		18.7%	2.5%	7.5%	-	-	10.2%	1.5%	7.0%
<b>Senior Managers of the Municipality</b>	2									
Basic Salaries and Wages		2 660	3 102	3 369	3 442	3 442	3 442	3 833	4 247	4 672
Pension and UIF Contributions		441	469	560	608	608	608	672	706	776
Medical Aid Contributions		90	132	159	110	110	110	115	127	139
Overtime		-	-	-	-	-	-	-	-	-
Performance Bonus		-	475	-	-	-	-	-	-	-
Motor Vehicle Allowance	3	728	588	847	814	814	814	755	835	919
Cellphone Allowance	3	47	177	151	155	155	155	138	164	192
Housing Allowances	3	-	-	-	-	-	-	-	-	-
Other benefits and allowances	3	575	168	217	240	240	240	268	257	271
Payments in lieu of leave		-	-	-	-	-	-	-	-	-
Long service awards		-	-	-	-	-	-	-	-	-
Post-retirement benefit obligations	6	-	-	-	-	-	-	-	-	-
<b>Sub Total - Senior Managers of Municipality</b>		<b>4 541</b>	<b>5 112</b>	<b>5 303</b>	<b>5 370</b>	<b>5 370</b>	<b>5 370</b>	<b>5 781</b>	<b>6 336</b>	<b>6 970</b>
% Increase	4		12.6%	3.7%	1.3%	-	-	7.6%	9.6%	10.0%
<b>Other Municipal Staff</b>										
Basic Salaries and Wages		36 570	35 534	43 450	46 748	46 748	46 748	48 768	50 950	54 051
Pension and UIF Contributions		6 750	6 403	7 592	8 057	8 057	8 057	8 721	9 014	9 915
Medical Aid Contributions		2 605	2 140	1 505	1 614	1 614	1 614	1 810	1 991	2 190
Overtime		419	2 262	2 070	2 006	2 006	2 006	1 477	2 367	2 514
Performance Bonus		-	2 993	-	-	-	-	-	-	-
Motor Vehicle Allowance	3	892	1 269	892	1 050	1 050	1 050	1 124	1 310	1 441
Cellphone Allowance	3	-	254	168	207	207	207	233	231	241
Housing Allowances	3	785	1 124	702	733	733	733	687	797	820
Other benefits and allowances	3	189	2 436	1 230	963	963	963	1 179	1 364	1 664
Payments in lieu of leave		-	366	-	-	-	-	-	-	-
Long service awards		-	-	-	-	-	-	-	-	-
Post-retirement benefit obligations	6	683	-	54	56	56	56	58	61	64
<b>Sub Total - Other Municipal Staff</b>		<b>48 893</b>	<b>54 781</b>	<b>57 662</b>	<b>61 434</b>	<b>61 434</b>	<b>61 434</b>	<b>64 057</b>	<b>68 085</b>	<b>72 899</b>
% Increase	4		12.0%	5.3%	6.5%	-	-	4.3%	6.3%	7.1%
<b>Total Parent Municipality</b>		<b>56 937</b>	<b>64 051</b>	<b>67 226</b>	<b>71 384</b>	<b>71 384</b>	<b>71 384</b>	<b>74 884</b>	<b>79 543</b>	<b>85 350</b>
			12.5%	5.0%	6.2%	-	-	4.9%	6.2%	7.3%
<b>TOTAL SALARY, ALLOWANCES &amp; BENEFITS</b>		<b>56 937</b>	<b>64 051</b>	<b>67 226</b>	<b>71 384</b>	<b>71 384</b>	<b>71 384</b>	<b>74 884</b>	<b>79 543</b>	<b>85 350</b>
% Increase	4		12.5%	5.0%	6.2%	-	-	4.9%	6.2%	7.3%
<b>TOTAL MANAGERS AND STAFF</b>	5,7	<b>53 434</b>	<b>59 894</b>	<b>62 965</b>	<b>66 804</b>	<b>66 804</b>	<b>66 804</b>	<b>69 838</b>	<b>74 421</b>	<b>79 869</b>

**Table 39 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)**

NC073 Emthanjeni - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)								
Disclosure of Salaries, Allowances & Benefits 1.	Ref	No.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
				1.				2.
<b>Rand per annum</b>								
<b>Councillors</b>	3							
Speaker	4	1	457 798	4 909	178 902			641 610
Chief Whip		-	-	-	-			-
Executive Mayor		1	572 248	5 672	217 052			794 972
Deputy Executive Mayor		-	-	-	-			-
Executive Committee		2	474 344	6 876	210 722			691 942
Total for all other councillors		10	1 946 241	33 401	938 084			2 917 726
<b>Total Councillors</b>	8	14	3 450 631	50 858	1 544 760			5 046 249
<b>Senior Managers of the Municipality</b>	5							
Municipal Manager (MM)		1	929 585	169 655	389 922	-		1 489 162
Chief Finance Officer		1	895 700	203 226	266 541	-		1 365 468
Director of Corporate Services		1	600 194	158 646	159 598	-		918 437
Director of Infrastructure Services		1	735 667	132 153	67 838	-		935 658
Director of Community Services		1	671 571	147 426	253 184	-		1 072 180
								-
<b>Total Senior Managers of the Municipality</b>	8,10	5	3 832 717	811 105	1 137 082	-		5 780 904
<b>TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION</b>	10	19	7 283 348	861 963	2 681 842	-		10 827 154

**Table 40 MBRR SA24 – Summary of personnel numbers**

NC073 Emthanjani - Supporting Table SA24 Summary of personnel numbers

Summary of Personnel Numbers		Ref	2014/15			Current Year 2015/16			Budget Year 2016/17		
Number		1,2	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
<b>Municipal Council and Boards of Municipal Entities</b>											
Councillors (Political Office Bearers plus Other Councillors)			14	2	12	14	2	12	14	2	12
Board Members of municipal entities	4		-	-	-	-	-	-	-	-	-
Municipal employees	5		-	-	-	-	-	-	-	-	-
Municipal Manager and Senior Managers	3		5		5	5		5	5		5
Other Managers	7		7	6	1	7	6	1	7	6	1
Professionals			6	6	-	6	6	-	6	6	-
Finance			4	4	-	4	4	-	4	4	-
Spatial/town planning			-	-	-	-	-	-	-	-	-
Information Technology			1	1	-	1	1	-	1	1	-
Roads			-	-	-	-	-	-	-	-	-
Electricity			1	1	-	1	1	-	1	1	-
Water			-	-	-	-	-	-	-	-	-
Sanitation			-	-	-	-	-	-	-	-	-
Refuse			-	-	-	-	-	-	-	-	-
Other			-	-	-	-	-	-	-	-	-
Technicians			33	31	2	33	31	2	33	31	2
Finance			5	3	2	5	3	2	5	3	2
Spatial/town planning			-	-	-	-	-	-	-	-	-
Information Technology			-	-	-	-	-	-	-	-	-
Roads			3	3	-	3	3	-	3	3	-
Electricity			6	6	-	6	6	-	6	6	-
Water			2	2	-	2	2	-	2	2	-
Sanitation			-	-	-	-	-	-	-	-	-
Refuse			-	-	-	-	-	-	-	-	-
Other			17	17	-	17	17	-	17	17	-
Clerks (Clerical and administrative)			138	136	2	138	136	2	138	136	2
Service and sales workers			-	-	-	-	-	-	-	-	-
Skilled agricultural and fishery workers			-	-	-	-	-	-	-	-	-
Craft and related trades			45	45	-	45	45	-	45	45	-
Plant and Machine Operators			40	40	-	40	40	-	40	40	-
Elementary Occupations			170	160	10	170	160	10	170	169	10
<b>TOTAL PERSONNEL NUMBERS</b>		9	<b>458</b>	<b>426</b>	<b>32</b>	<b>458</b>	<b>426</b>	<b>32</b>	<b>458</b>	<b>435</b>	<b>32</b>
% Increase						-	-	-	-	2.1%	-
Total municipal employees headcount	6, 10		359	340	19	359	340	19	352	332	20
Finance personnel headcount	8, 10		44	37	7	44	37	7	45	39	6
Human Resources personnel headcount	8, 10		3	3	-	3	3	-	3	3	-

## 2.9.7 Monthly targets for revenue, expenditure and cash flow

Table 41 MBRR SA25 - Budgeted monthly revenue and expenditure

NC073 Emthanjeni - Supporting Table SA25 Budgeted monthly revenue and expenditure																
Description	Ref	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Revenue By Source</b>																
Property rates		12 912	4 168	1 069	1 109	1 108	1 111	1 212	1 077	1 075	1 163	1 356	3 305	30 665	30 915	51 010
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue		4 304	4 645	4 433	4 032	4 102	3 724	4 260	2 717	4 610	5 382	7 169	6 826	56 203	59 373	97 965
Service charges - water revenue		1 016	1 614	2 039	2 362	3 168	3 810	3 502	3 033	2 042	1 323	963	991	25 864	27 170	44 830
Service charges - sanitation revenue		1 359	1 360	1 361	1 359	1 364	1 361	1 366	1 314	1 314	1 314	1 314	1 184	15 972	16 271	26 847
Service charges - refuse revenue		684	680	684	680	685	685	685	689	689	689	689	686	8 226	8 478	13 989
Service charges - other		10	10	10	10	10	10	10	10	10	10	10	10	118	270	445
Rental of facilities and equipment		70	66	69	73	74	74	78	-	-	-	-	283	786	732	885
Interest earned - external investments		16	13	2	7	4	17	1	64	64	64	64	492	806	854	1 409
Interest earned - outstanding debtors		32	36	29	76	51	56	150	84	58	68	73	241	954	1 011	1 669
Dividends received		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines		925	233	726	296	736	239	670	42	463	1 075	826	712	6 943	6 935	11 444
Licences and permits		39	35	34	32	31	23	731	47	252	381	501	402	2 508	2 097	3 460
Agency services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational		18 706	1 365	-	-	11 106	2 129	605	-	7 299	-	-	-	41 210	41 753	47 657
Other revenue		658	2 183	2 115	2 292	2 454	2 009	3 143	2 621	3 173	1 449	1 903	3 194	27 195	28 688	47 256
Gains on disposal of PPE		10	10	10	10	10	10	10	10	10	10	10	20	130	139	148
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>40 742</b>	<b>16 417</b>	<b>12 581</b>	<b>12 340</b>	<b>24 902</b>	<b>15 258</b>	<b>16 423</b>	<b>11 707</b>	<b>21 059</b>	<b>12 928</b>	<b>14 878</b>	<b>18 346</b>	<b>217 580</b>	<b>224 687</b>	<b>349 014</b>
<b>Expenditure By Type</b>																
Employee related costs		5 750	5 750	5 750	5 750	5 750	5 750	6 950	5 750	5 750	5 750	5 750	5 387	69 838	74 421	79 869
Remuneration of councillors		399	399	399	399	399	399	399	399	399	399	399	658	5 046	5 122	5 481
Debt impairment		-	-	-	-	-	-	-	-	-	-	-	8 901	8 901	11 786	19 447
Depreciation & asset impairment		-	-	-	-	-	-	-	-	-	-	-	7 337	7 337	10 173	16 775
Finance charges		19	17	578	554	554	559	555	558	558	558	558	400	5 468	6 143	9 731
Bulk purchases		7 117	7 557	7 061	2 081	3 965	3 755	4 068	7 116	5 041	4 570	3 784	1 007	57 123	60 834	100 377
Other materials		1 264	1 936	1 501	1 771	1 613	896	1 073	775	2 545	1 888	1 417	94	16 771	18 864	30 971
Contracted services		819	366	561	1 085	327	182	416	1 004	1 573	1 242	771	1 499	9 846	10 565	17 432
Transfers and grants		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenditure		3 713	1 326	2 955	2 700	3 681	3 133	2 190	2 581	3 444	5 172	4 508	232	35 634	38 877	58 106
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>19 081</b>	<b>17 351</b>	<b>18 805</b>	<b>14 340</b>	<b>16 289</b>	<b>14 673</b>	<b>15 652</b>	<b>18 182</b>	<b>19 310</b>	<b>19 579</b>	<b>17 187</b>	<b>25 514</b>	<b>215 964</b>	<b>236 785</b>	<b>338 188</b>
<b>Surplus/(Deficit)</b>		<b>21 661</b>	<b>(934)</b>	<b>(6 224)</b>	<b>(2 000)</b>	<b>8 612</b>	<b>585</b>	<b>771</b>	<b>(6 474)</b>	<b>1 748</b>	<b>(6 651)</b>	<b>(2 309)</b>	<b>(7 169)</b>	<b>1 616</b>	<b>(12 098)</b>	<b>10 827</b>
Transfers recognised - capital		1 000	-	1 550	-	3 500	-	1 875	-	6 677	-	-	-	14 602	14 342	13 798
Contributions recognised - capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributed assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>22 661</b>	<b>(934)</b>	<b>(4 674)</b>	<b>(2 000)</b>	<b>12 112</b>	<b>585</b>	<b>2 646</b>	<b>(6 474)</b>	<b>8 425</b>	<b>(6 651)</b>	<b>(2 309)</b>	<b>(7 169)</b>	<b>16 218</b>	<b>2 244</b>	<b>24 625</b>
Taxation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Attributable to minorities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit)</b>	<b>1</b>	<b>22 661</b>	<b>(934)</b>	<b>(4 674)</b>	<b>(2 000)</b>	<b>12 112</b>	<b>585</b>	<b>2 646</b>	<b>(6 474)</b>	<b>8 425</b>	<b>(6 651)</b>	<b>(2 309)</b>	<b>(7 169)</b>	<b>16 218</b>	<b>2 244</b>	<b>24 625</b>

**Table 42 MBRR SA26 - Budgeted monthly revenue and expenditure  
(municipal vote)**

NC073 Emthanjeni - Supporting Table SA26 Budgeted monthly revenue and expenditure (municipal vote)																	
Description		Ref	Budget Year 2016/17												Medium term Revenue and Expenditure Framework		
R thousand			July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue by Vote																	
Vote 1 - EXECUTIVE AND COUNCIL			2 242	71	76	150	925	445	95	67	58	44	51	73	4 295	4 090	6 673
Vote 2 - FINANCE AND ADMINISTRATION			19 569	1 459	1 344	1 657	5 029	1 427	2 386	1 674	3 620	1 817	3 147	3 757	46 885	46 634	68 784
Vote 3 - PLANNING AND DEVELOPMENT			-	430	-	-	184	-	-	323	-	560	114	-	1 610	1 691	2 429
Vote 4 - HEALTH			-	-	-	-	-	-	-	-	-	-	-	1 227	1 227	1 288	1 363
Vote 5 - COMMUNITY AND SOCIAL SERVICES			81	49	67	389	79	66	657	55	145	32	182	141	1 942	1 987	2 545
Vote 6 - PUBLIC SAFETY			44	59	157	310	50	32	472	599	1 278	2 175	1 050	1 766	7 991	7 623	12 578
Vote 7 - SPORT AND RECREATION			3	2	3	29	27	-	30	-	4	-	8	17	123	131	216
Vote 8 - ROAD TRANSPORT			2	2	2	2	3	2	2	5	646	219	500	822	2 207	1 141	14 001
Vote 9 - OTHER			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 10 - HOUSING SERVICES			3	3	3	3	3	3	3	3	3	4	3	9	41	44	72
Vote 11 - WASTE MANAGEMENT			2 257	791	792	649	3 196	534	794	773	1 286	847	603	245	12 828	13 356	19 218
Vote 12 - WASTE WATER MANAGEMENT			4 329	1 375	1 375	1 374	4 071	1 377	1 382	2 297	3 170	1 328	1 240	1 003	24 322	24 330	35 408
Vote 13 - ELECTRICITY			9 097	8 843	7 362	6 495	7 859	5 744	6 550	4 396	14 311	5 007	6 904	7 670	90 239	92 542	148 572
Vote 14 - WATER			4 114	3 334	2 951	1 282	6 976	5 568	5 927	1 517	3 214	895	1 078	1 615	38 471	44 173	50 953
Vote 15 - (NAME OF VOTE 15)			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue by Vote			41 742	16 417	14 131	12 340	28 402	15 258	18 298	11 707	27 736	12 928	14 878	18 346	232 182	239 029	362 812
Expenditure by Vote to be appropriated																	
Vote 1 - EXECUTIVE AND COUNCIL			1 012	903	837	1 060	1 388	875	1 204	1 082	1 180	1 532	1 033	1 946	14 054	15 904	16 959
Vote 2 - FINANCE AND ADMINISTRATION			2 125	2 047	2 657	3 054	2 532	1 841	2 298	3 858	4 211	3 572	3 312	2 993	34 499	37 532	51 918
Vote 3 - PLANNING AND DEVELOPMENT			713	795	1 019	1 091	1 387	1 356	861	1 179	1 286	704	965	808	12 162	11 902	15 039
Vote 4 - HEALTH			0	-	-	-	-	-	-	19	21	-	-	108	148	199	329
Vote 5 - COMMUNITY AND SOCIAL SERVICES			629	650	764	762	724	796	809	1 741	1 897	909	1 569	598	11 849	13 307	16 510
Vote 6 - PUBLIC SAFETY			1 120	665	735	823	710	545	761	1 041	1 135	709	569	1 552	10 367	11 047	15 094
Vote 7 - SPORT AND RECREATION			320	279	317	300	389	744	374	400	436	380	305	409	4 654	5 039	6 209
Vote 8 - ROAD TRANSPORT			1 146	725	669	988	896	683	982	1 294	1 411	1 550	1 245	4 490	16 278	17 987	25 372
Vote 9 - OTHER			65	65	65	65	65	65	65	65	65	65	65	28	738	763	1 020
Vote 10 - HOUSING SERVICES			373	179	224	207	214	300	202	129	141	177	142	112	2 400	2 586	2 936
Vote 11 - WASTE MANAGEMENT			809	931	838	805	924	899	922	970	1 063	1 009	912	1 354	11 435	12 726	16 462
Vote 12 - WASTE WATER MANAGEMENT			695	739	806	994	1 022	949	1 069	1 016	1 302	2 050	988	1 306	12 936	15 046	22 402
Vote 13 - ELECTRICITY			9 049	8 775	8 695	2 919	4 945	4 711	4 921	4 278	3 955	5 824	5 158	8 310	71 539	77 266	123 871
Vote 14 - WATER			1 025	600	979	1 273	1 093	910	1 185	1 110	1 210	1 099	925	1 499	12 906	15 480	24 066
Vote 15 - (NAME OF VOTE 15)			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure by Vote			19 081	17 351	18 805	14 340	16 289	14 673	15 652	18 182	19 310	19 579	17 187	25 514	215 964	236 785	338 188
Surplus/(Deficit) before assoc.			22 661	(934)	(4 674)	(2 000)	12 112	585	2 646	(6 474)	8 425	(6 651)	(2 309)	(7 169)	16 218	2 244	24 625
Taxation			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Attributable to minorities			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of surplus/ (deficit) of associate			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit)	1		22 661	(934)	(4 674)	(2 000)	12 112	585	2 646	(6 474)	8 425	(6 651)	(2 309)	(7 169)	16 218	2 244	24 625

**Table 43 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)**

NC073 Emthanjeni - Supporting Table SA27 Budgeted monthly revenue and expenditure (standard classification)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																						
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**Table 44 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)**

NC073 Emthanjeni - Supporting Table SA28 Budgeted monthly capital expenditure (municipal vote)

Description	Ref	Budget Year 2016/17												Medium Term Revenue and Expenditure		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand																
Capital multi-year expenditure sub-total	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Single-year expenditure to be appropriated																
Vote 1 - EXECUTIVE AND COUNCIL		-	18	-	-	26	59	-	-	-	13	21	-	137	147	157
Vote 2 - FINANCE AND ADMINISTRATION		-	350	79	14	650	-	70	115	352	106	-	-	1 735	1 899	3 133
Vote 3 - PLANNING AND DEVELOPMENT		-	-	-	-	-	-	-	-	-	-	-	-	-	13	22
Vote 4 - HEALTH		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 5 - COMMUNITY AND SOCIAL SERVICES		-	-	100	-	-	91	-	18	-	59	-	28	296	284	469
Vote 6 - PUBLIC SAFETY		10	-	11	-	4	-	1	-	2	35	-	-	63	98	162
Vote 7 - SPORT AND RECREATION		2	-	2	43	-	3	-	3	18	-	-	5	75	65	68
Vote 8 - ROAD TRANSPORT		-	1 178	-	-	1 265	-	594	-	1 163	-	-	-	4 200	14 404	15 239
Vote 9 - OTHER		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 10 - HOUSING SERVICES		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 11 - WASTE MANAGEMENT		-	5	-	-	10	-	-	14	-	-	-	-	29	34	56
Vote 12 - WASTE WATER MANAGEMENT		190	42	56	-	41	34	34	406	-	170	9	-	981	145	300
Vote 13 - ELECTRICITY		1 040	274	214	1 340	-	566	-	-	1 687	-	280	-	5 400	2 815	2 049
Vote 14 - WATER		214	3 166	-	-	2 266	-	-	1 236	-	732	-	209	7 822	500	350
Vote 15 - (NAME OF VOTE 15)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total	2	1 456	5 033	461	1 396	4 263	753	698	1 791	3 222	1 115	310	242	20 739	20 405	22 006
Total Capital Expenditure	2	1 456	5 033	461	1 396	4 263	753	698	1 791	3 222	1 115	310	242	20 739	20 405	22 006

**Table 45 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)**

NC073 Emthanjeni - Supporting Table SA29 Budgeted monthly capital expenditure (standard classification)

Description	Ref	Budget Year 2016/17												Medium Term Revenue		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand																
Capital Expenditure - Standard	1															
Governance and administration		-	368	79	14	676	59	70	115	352	119	21	-	1 873	2 046	3 291
Executive and council		-	18	-	-	26	59	-	-	-	13	21	-	137	147	157
Budget and treasury office		-	326	79	-	650	-	-	115	110	106	-	-	1 385	1 528	2 521
Corporate services		-	24	-	14	-	-	70	-	242	-	-	-	350	371	612
Community and public safety		12	-	113	43	4	94	1	21	20	94	-	33	434	447	699
Community and social services		-	-	100	-	-	91	-	18	-	59	-	28	296	284	469
Sport and recreation		2	-	2	43	-	3	-	3	18	-	-	5	75	65	68
Public safety		10	-	11	-	4	-	1	-	2	35	-	-	63	98	162
Housing		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Economic and environmental services		-	1 178	-	-	1 265	-	594	-	1 163	-	-	-	4 200	14 417	15 261
Planning and development		-	-	-	-	-	-	-	-	-	-	-	-	-	13	22
Road transport		-	1 178	-	-	1 265	-	594	-	1 163	-	-	-	4 200	14 404	15 239
Environmental protection		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trading services		1 444	3 487	269	1 340	2 317	600	34	1 655	1 687	902	289	209	14 232	3 494	2 756
Electricity		1 040	274	214	1 340	-	566	-	-	1 687	-	280	-	5 400	2 815	2 049
Water		214	3 166	-	-	2 266	-	-	1 236	-	732	-	209	7 822	500	350
Waste water management		190	42	56	-	41	34	34	406	-	170	9	-	981	145	300
Waste management		-	5	-	-	10	-	-	14	-	-	-	-	29	34	56
Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	2	1 456	5 033	461	1 396	4 263	753	698	1 791	3 222	1 115	310	242	20 739	20 405	22 006
Funded by:																
National Government		1 156	3 759	-	1 340	3 288	-	388	1 791	2 138	-	45	-	13 905	13 711	13 118
Provincial Government		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital		1 156	3 759	-	1 340	3 288	-	388	1 791	2 138	-	45	-	13 905	13 711	13 118
Public contributions & donations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Internally generated funds		300	1 274	461	57	975	753	311	-	1 084	1 115	265	242	6 834	6 694	8 888
Total Capital Funding		1 456	5 033	461	1 396	4 263	753	698	1 791	3 222	1 115	310	242	20 739	20 405	22 006

**Table 46 MBRR SA30 - Budgeted monthly cash flow**

NC073 Emthanjani - Supporting Table SA30 Budgeted monthly cash flow																			
MONTHLY CASH FLOWS													Budget Year 2016/17				Medium Term Revenue and		
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19				
Cash Receipts By Source													1						
Property rates	14 773	1 157	1 309	1 099	1 097	1 183	1 207	1 067	1 059	1 065	1 129	1 853	27 999	28 239	49 909				
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Service charges - electricity revenue	4 294	3 976	3 988	4 781	3 461	6 164	3 145	4 292	4 842	5 189	5 478	3 567	53 178	56 426	67 691				
Service charges - water revenue	1 449	1 357	1 179	1 459	1 276	1 688	1 474	2 185	2 492	3 233	3 461	2 493	23 746	25 448	41 408				
Service charges - sanitation revenue	955	1 074	1 032	1 221	1 087	1 070	1 109	1 332	1 627	1 654	1 571	1 312	15 045	15 131	16 467				
Service charges - refuse revenue	634	627	675	687	695	652	672	605	637	646	605	682	7 815	7 545	6 583				
Service charges - other	10	10	10	10	10	10	10	10	10	10	10	10	118	270	132				
Rental of facilities and equipment	69	65	68	62	73	73	77	64	74	34	24	-	686	734	770				
Interest earned - external investments	67	67	67	67	67	67	67	67	67	67	67	67	806	830	863				
Interest earned - outstanding debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Fines	125	33	116	893	835	338	664	889	459	759	781	651	6 543	6 870	7 076				
Licences and permits	39	35	33	32	31	23	31	365	249	377	496	267	1 978	1 938	2 399				
Agency services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Transfer receipts - operational	18 706	1 365	-	-	11 106	2 129	605	-	7 299	-	-	-	41 210	41 753	47 657				
Other revenue	2 652	2 162	2 096	2 271	2 082	1 990	2 054	2 395	1 400	2 719	1 509	2 418	25 747	26 967	43 475				
Cash Receipts by Source	43 771	11 928	10 573	12 582	21 821	15 388	11 115	13 272	20 215	15 755	15 130	13 319	204 870	212 149	284 431				
Other Cash Flows by Source																			
Transfer receipts - capital	4 356	-	525	-	5 128	-	-	-	4 593	-	-	-	14 602	14 342	13 798				
Contributions recognised - capital & Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Proceeds on disposal of PPE	-	-	-	70	16	-	6	-	-	-	-	37	130	139	148				
Short term loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Borrowing long term/refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Increase (decrease) in consumer deposits	9	10	9	10	1	5	6	11	8	12	10	6	98	90	71				
Decrease (increase) in non-current debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Total Cash Receipts by Source	48 137	11 939	11 107	12 663	26 966	15 392	11 127	13 283	24 816	15 767	15 140	13 363	219 699	226 720	298 449				
Cash Payments by Type																			
Employee related costs	5 968	5 718	5 165	6 644	6 667	6 449	7 188	5 205	5 205	5 105	5 005	5 372	69 691	73 073	77 674				
Remuneration of councillors	348	358	358	358	358	358	441	435	435	435	435	628	4 948	5 015	5 269				
Finance charges	119	117	276	553	554	559	555	555	551	562	573	493	5 468	6 143	9 731				
Bulk purchases - Electricity	6 895	7 396	6 860	1 800	3 755	3 496	3 835	3 281	3 469	3 918	4 427	3 200	52 332	55 359	90 859				
Bulk purchases - Water & Sewer	155	90	135	261	173	224	195	313	215	217	275	187	2 440	2 736	4 315				
Other materials	1 261	1 234	1 496	764	1 608	392	1 369	1 789	1 893	1 288	1 161	2 516	16 771	18 864	30 971				
Contracted services	811	363	556	775	524	1 180	612	1 075	1 012	763	524	1 649	9 846	10 565	17 432				
Transfers and grants - other municipalities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Transfers and grants - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Other expenditure	3 697	2 314	2 937	2 674	2 656	3 103	2 179	2 222	3 008	3 135	3 254	2 906	34 085	35 533	39 397				
Cash Payments by Type	19 255	17 590	17 783	13 831	16 295	15 762	16 375	14 875	15 788	15 423	15 654	16 950	195 582	207 287	275 648				
Other Cash Flows/Payments by Type																			
Capital assets	1 456	5 033	461	1 396	4 263	753	698	1 791	3 222	1 115	310	242	20 739	20 405	22 006				
Repayment of borrowing	-	-	334	-	-	-	-	-	354	-	-	-	688	-	-				
Other Cash Flows/Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Total Cash Payments by Type	20 711	22 624	18 578	15 227	20 557	16 515	17 074	16 666	19 364	16 537	15 964	17 192	217 009	227 692	297 654				
NET INCREASE/(DECREASE) IN CASH HELD	27 426	(10 685)	(7 471)	(2 565)	6 409	(1 122)	(5 947)	(3 383)	5 451	(771)	(823)	(3 829)	2 691	(972)	795				
Cash/cash equivalents at the month/year begin:	(985)	26 441	15 756	8 285	5 721	12 130	11 008	5 061	1 678	7 129	6 358	5 535	(985)	1 706	734				
Cash/cash equivalents at the month/year end:	26 441	15 756	8 285	5 721	12 130	11 008	5 061	1 678	7 129	6 358	5 535	1 706	1 706	734	1 529				

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## **2.9.8 Annual budgets and SDBIPs – internal departments**

### **2.9.8.1 Water Services Department – Vote 14**

The department is primarily responsible for the distribution of potable water within the municipal boundary, which includes the purification of raw water, maintenance of the reticulation network and implementation of the departmental capital programme.

There are currently no unfilled positions in the top management structure of the Water Services Department. The top management structure consists of the Director of Infrastructural and Housing Services, three Managers who report directly to him.

The departmental strategy is ensuring the economic value and useful life of the water reticulation network and infrastructure is maintained. The departmental revenue base is primarily informed by the sale of water of which budget appropriation for the 2016/17 financial year is and has been informed by a collection rate of 92 per cent and distribution losses of 12 per cent.

The establishment of a water demand management unit has proven to be extremely successful with the reduction of distribution losses by 2.6 per cent for the 2015/16 financial year. The further expansion of this unit will inevitably result in the further lowering of the distribution losses, thus paying for the unit itself and effecting additional savings for the municipality.

## **2.10 Contracts having future budgetary implications**

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

## **2.11 Capital expenditure details**

The following three table's present details of the Municipality's capital expenditure programme, firstly on new assets, then the renewal of assets and daftly on the repair and maintenance of assets.

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Table 47 MBRR SA 34a - Capital expenditure on new assets by asset class

NC073 Emthanjeni - Supporting Table SA34a Capital expenditure on new assets by asset class										
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Capital expenditure on new assets by Asset Class/Sub-class</b>										
<b>Infrastructure</b>		8 284	12 299	13 833	55 958	12 791	12 791	13 992	12 612	13 118
Infrastructure - Road transport		4 084	10 682	-	8 500	8 500	8 500	1 000	7 212	12 118
Roads, Pavements & Bridges		-	10 682	-	8 500	8 500	8 500	1 000	7 212	12 118
Storm water		4 084	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	918	-	1 500	1 500	1 500	4 800	3 965	1 000
Generation		-	-	-	-	-	-	-	-	-
Transmission & Reticulation		-	918	-	1 500	1 500	1 500	4 800	3 965	1 000
Infrastructure - Water		-	699	13 833	10 000	-	-	7 322	-	-
Reticulation		-	699	13 833	10 000	-	-	7 322	-	-
Infrastructure - Sanitation		4 200	-	-	35 958	2 791	2 791	870	1 435	-
Sewerage purification		4 200	-	-	35 958	2 791	2 791	870	1 435	-
Infrastructure - Other		-	-	-	-	-	-	-	-	-
<b>Community</b>		-	-	-	-	-	-	-	-	-
<b>Heritage assets</b>		-	-	-	-	-	-	-	-	-
<b>Investment properties</b>		-	-	-	-	-	-	-	-	-
<b>Other assets</b>		-	-	-	-	-	-	-	-	-
General vehicles		-	-	-	-	-	-	-	-	-
Specialised vehicles	10	-	-	-	-	-	-	-	-	-
Plant & equipment		-	-	-	-	-	-	-	-	-
Computers - hardware/equipment		-	-	-	-	-	-	-	-	-
Furniture and other office equipment		-	-	-	-	-	-	-	-	-
Abattoirs		-	-	-	-	-	-	-	-	-
Markets		-	-	-	-	-	-	-	-	-
Civic Land and Buildings		-	-	-	-	-	-	-	-	-
Other Buildings		-	-	-	-	-	-	-	-	-
Other Land		-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
<b>Agricultural assets</b>		-	-	-	-	-	-	-	-	-
<b>Biological assets</b>		-	-	-	-	-	-	-	-	-
<b>Intangibles</b>		-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure on new assets</b>	1	8 284	12 299	13 833	55 958	12 791	12 791	13 992	12 612	13 118

Table 48 MBRR SA34b - Capital expenditure on the renewal of existing assets by asset class

NC073 Emthanjeni - Supporting Table SA34b Capital expenditure on the renewal of existing assets by asset class										
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Capital expenditure on renewal of existing assets by Asset Class/Sub-class</b>										
<b>Infrastructure</b>		1 842	6 969	-	8 237	3 181	3 181	4 457	5 149	4 676
Infrastructure - Road transport		761	4 640	-	2 800	2 800	2 800	3 105	3 964	2 920
Roads, Pavements & Bridges		761	4 640	-	2 800	2 800	2 800	3 105	3 964	2 920
Infrastructure - Electricity		412	611	-	5 226	170	170	600	636	1 049
Transmission & Reticulation		412	611	-	5 226	170	170	600	636	1 049
Infrastructure - Water		17	406	-	180	180	180	500	500	350
Water purification		-	-	-	180	180	180	500	500	350
Reticulation		17	406	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	220	15	300
Sewerage purification		-	-	-	-	-	-	220	15	300
Infrastructure - Other		652	1 312	-	31	31	31	32	34	56
Waste Management		652	1 312	-	31	31	31	32	34	56
<b>Community</b>		1 231	64	68	353	353	353	322	332	509
Parks & gardens		45	-	-	22	22	22	25	25	30
Sportsfields & stadia		50	1	-	39	39	39	45	40	38
Swimming pools		118	-	-	-	-	-	-	-	-
Community halls		300	63	-	260	260	260	220	233	385
Libraries		-	-	-	-	-	-	-	-	-
Recreational facilities		-	-	-	-	-	-	-	-	-
Fire, safety & emergency		-	-	-	-	-	-	-	-	-
Security and policing		-	-	-	-	-	-	-	-	-
Buses	7	-	-	-	-	-	-	-	-	-
Clinics		-	-	-	-	-	-	-	-	-
Museums & Art Galleries		-	-	-	-	-	-	-	-	-
Cemeteries		300	-	-	31	31	31	32	34	56
Other		418	-	68	-	-	-	-	-	-
<b>Heritage assets</b>		-	-	-	-	-	-	-	-	-
<b>Investment properties</b>		-	-	-	-	-	-	-	-	-
<b>Other assets</b>		2 301	2 126	294	1 913	1 913	1 913	1 968	2 311	3 704
General vehicles		-	959	-	-	-	-	-	-	-
Specialised vehicles	10	600	-	-	-	-	-	-	-	-
Plant & equipment		791	153	16	845	845	845	473	517	754
Computers - hardware/equipment		535	-	-	339	339	339	200	212	341
Furniture and other office equipment		375	515	157	189	189	189	226	240	396
Abattoirs		-	-	-	-	-	-	-	-	-
Markets		-	-	-	-	-	-	-	-	-
Civic Land and Buildings		-	-	-	-	-	-	-	-	-
Other Buildings		-	500	122	540	540	540	333	353	582
Other Land		-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	735	989	1 631
<b>Agricultural assets</b>		-	-	-	-	-	-	-	-	-
<b>Biological assets</b>		-	-	-	-	-	-	-	-	-
<b>Intangibles</b>		62	93	-	884	884	884	-	-	-
Computers - software & programming		62	93	-	884	884	884	-	-	-
Other (list sub-class)		-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure on renewal</b>	1	5 437	9 253	362	11 386	6 331	6 331	6 747	7 792	8 888
<b>Specialised vehicles</b>		600	-	-	-	-	-	-	-	-
Refuse		600	-	-	-	-	-	-	-	-

**Table 49 MBRR SA34c - Repairs and maintenance expenditure by asset class**

NC073 Emthanjeni - Supporting Table SA34c Repairs and maintenance expenditure by asset class										
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Repairs and maintenance expenditure by Asset Class/Sub-class										
Infrastructure		5 036	4 435	2 399	5 143	5 143	5 143	3 470	3 785	6 151
Infrastructure - Road transport		1 368	1 277	317	616	616	616	628	562	1 099
Roads, Pavements & Bridges		1 368	1 277	317	322	322	322	329	259	575
Storm water		-	-	-	294	294	294	300	304	524
Infrastructure - Electricity		1 495	929	1 165	1 342	1 342	1 342	1 545	1 848	2 783
Generation		-	-	-	-	-	-	-	-	-
Transmission & Reticulation		1 495	929	832	995	995	995	1 067	1 362	2 153
Street Lighting		-	-	333	347	347	347	478	486	631
Infrastructure - Water		750	697	689	1 145	1 145	1 145	1 231	1 304	2 152
Dams & Reservoirs		-	-	-	382	382	382	200	212	350
Water purification		750	697	689	-	-	-	-	-	-
Reticulation		-	-	-	763	763	763	1 030	1 092	1 802
Infrastructure - Sanitation		712	464	228	64	64	64	66	70	116
Reticulation		-	-	-	64	64	64	66	70	116
Sewerage purification		712	464	228	-	-	-	-	-	-
Infrastructure - Other		711	1 068	-	1 975	1 975	1 975	-	-	-
Waste Management		-	987	-	1 975	1 975	1 975	-	-	-
Other	3	711	81	-	-	-	-	-	-	-
Community		1 626	2 218	3 409	3 098	3 098	3 098	2 037	2 302	4 263
Parks & gardens		-	232	-	19	19	19	-	-	-
Sportsfields & stadia		-	104	260	47	47	47	-	-	-
Swimming pools		-	-	-	603	603	603	119	127	257
Community halls		-	244	77	692	692	692	-	227	373
Libraries		-	128	-	47	47	47	-	-	-
Recreational facilities		-	-	-	-	-	-	-	-	-
Fire, safety & emergency		-	-	-	1 612	1 612	1 612	1 918	1 948	3 549
Security and policing		-	-	-	-	-	-	-	-	-
Cemeteries		-	-	-	-	-	-	-	-	-
Social rental housing	8	-	-	-				-	-	-
Other		1 626	1 509	3 071	79	79	79	-	-	84
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		158	-	-	-	-	-	-	-	-
Other		158	-	-	-	-	-	-	-	-
Other assets		1 651	4 958	4 767	7 068	7 068	7 068	9 740	11 202	18 005
General vehicles		-	2 322	2 189	3 731	3 731	3 731	5 390	6 864	11 888
Specialised vehicles	10	-	-	-	-	-	-	-	-	-
Plant & equipment		-	488	1 209	774	774	774	963	1 074	1 260
Computers - hardware/equipment		-	430	133	380	380	380	624	633	770
Furniture and other office equipment		-	-	-	631	631	631	891	965	999
Abattoirs		-	-	-	-	-	-	-	-	-
Markets		-	-	-	-	-	-	-	-	-
Civic Land and Buildings		-	-	-	-	-	-	-	-	-
Other Buildings		1 651	-	-	1 436	1 436	1 436	1 697	1 571	2 584
Other Land		-	1 091	1 147	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)		-	-	-	-	-	-	-	-	-
Other		-	627	90	116	116	116	176	95	503
Agricultural assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	640	1 308	1 308	1 308	1 523	1 575	2 552
Computers - software & programming		-	-	640	1 308	1 308	1 308	1 523	1 575	2 552
Total Repairs and Maintenance Expenditure	1	8 471	11 611	11 215	16 618	16 618	16 618	16 771	18 864	30 971
Specialised vehicles		-	-	-	-	-	-	-	-	-

## **2.12 Legislation compliance status**

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

### **1. In year reporting**

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality's website.

### **2. Internship programme**

The Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department. Three interns have been appointed, recruitment process have commenced for the appointment of another three. Since the introduction of the Internship programme the Municipality has successfully employed 3 interns and trained 5 interns through this programme.

### **3. Budget and Treasury Office**

The Budget and Treasury Office has been established in accordance with the MFMA.

### **4. Audit Committee**

An Audit Committee has been established and is fully functional. Capacitation training will be provided to Audit Committee members.

### **5. Service Delivery and Implementation Plan**

The detail SDBIP document is at a FINAL stage and will be finalised after approval of the 2016/17 MTREF in June 2016 directly aligned and informed by the 2016/17 MTREF.

### **6. Annual Report**

Annual report is compiled in terms of the MFMA and National Treasury requirements.

### **7. MFMA Training**

The MFMA training module in electronic format is presented at the Municipality's internal centre and training is ongoing.

### **8. Policies**

An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.



## 2.13 Other supporting documents

**Table 50 MBRR Table SA1 - Supporting detail to budgeted financial performance**

NC073 Emthanjeni - Table A1 Budget Summary										
Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Financial Performance</b>										
Property rates	17 323	21 185	22 075	27 503	27 503	27 503	27 503	30 665	30 915	51 010
Service charges	79 889	91 655	97 741	108 111	103 111	103 111	103 111	106 383	111 562	184 077
Investment revenue	1 595	1 030	950	715	715	715	715	806	854	1 409
Transfers recognised - operational	43 510	45 752	39 550	40 601	40 601	40 601	40 601	41 210	41 753	47 657
Other own revenue	21 721	23 829	34 337	34 768	35 568	35 568	35 568	38 515	39 603	64 861
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>164 039</b>	<b>183 452</b>	<b>194 653</b>	<b>211 697</b>	<b>207 497</b>	<b>207 497</b>	<b>207 497</b>	<b>217 580</b>	<b>224 687</b>	<b>349 014</b>
Employee costs	56 449	59 894	66 864	66 804	66 804	66 804	66 804	69 838	74 421	79 869
Remuneration of councillors	3 694	4 157	4 126	4 580	4 580	4 580	4 580	5 046	5 122	5 481
Depreciation & asset impairment	69 275	65 214	61 386	9 248	9 248	9 248	9 248	7 337	10 173	16 775
Finance charges	1 758	1 608	1 337	2 556	3 556	3 556	3 556	5 468	6 143	9 731
Materials and bulk purchases	40 837	55 146	58 263	61 743	69 713	69 713	69 713	73 894	79 698	131 348
Transfers and grants	305	750	225	12 938	11 662	11 662	11 662	-	-	-
Other expenditure	45 858	80 320	66 235	63 028	50 302	50 302	50 302	54 381	61 228	94 985
<b>Total Expenditure</b>	<b>218 175</b>	<b>267 088</b>	<b>258 437</b>	<b>220 896</b>	<b>215 864</b>	<b>215 864</b>	<b>215 864</b>	<b>215 964</b>	<b>236 785</b>	<b>338 188</b>
<b>Surplus/(Deficit)</b>	<b>(54 137)</b>	<b>(83 636)</b>	<b>(63 784)</b>	<b>(9 199)</b>	<b>(8 367)</b>	<b>(8 367)</b>	<b>(8 367)</b>	<b>1 616</b>	<b>(12 098)</b>	<b>10 827</b>
Transfers recognised - capital	11 451	13 102	14 694	56 565	13 398	13 398	13 398	14 602	14 342	13 798
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(42 686)</b>	<b>(70 534)</b>	<b>(49 091)</b>	<b>47 366</b>	<b>5 031</b>	<b>5 031</b>	<b>5 031</b>	<b>16 218</b>	<b>2 244</b>	<b>24 625</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>(42 686)</b>	<b>(70 534)</b>	<b>(49 091)</b>	<b>47 366</b>	<b>5 031</b>	<b>5 031</b>	<b>5 031</b>	<b>16 218</b>	<b>2 244</b>	<b>24 625</b>
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	<b>13 721</b>	<b>21 552</b>	<b>14 194</b>	<b>67 344</b>	<b>19 121</b>	<b>19 121</b>	<b>19 121</b>	<b>20 739</b>	<b>20 405</b>	<b>22 006</b>
Transfers recognised - capital	12 139	15 313	13 833	55 958	12 791	12 791	12 791	13 905	13 711	13 118
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	5 046	-	-	-	-	-	-
Internally generated funds	1 582	6 239	362	6 341	6 331	6 331	6 331	6 834	6 694	8 888
<b>Total sources of capital funds</b>	<b>13 721</b>	<b>21 552</b>	<b>14 194</b>	<b>67 344</b>	<b>19 121</b>	<b>19 121</b>	<b>19 121</b>	<b>20 739</b>	<b>20 405</b>	<b>22 006</b>
<b>Financial position</b>										
Total current assets	139 835	121 847	125 401	109 842	99 318	99 318	99 318	110 700	112 071	110 653
Total non current assets	976 067	932 000	883 982	944 097	946 897	946 897	946 897	937 687	940 181	943 923
Total current liabilities	40 848	42 302	45 643	33 313	33 327	33 327	33 327	31 639	31 717	32 018
Total non current liabilities	52 267	52 911	54 198	67 490	63 471	63 471	63 471	36 071	37 737	38 544
Community wealth/Equity	1 022 787	958 633	909 543	953 136	949 417	949 417	949 417	980 677	982 798	984 014
<b>Cash flows</b>										
Net cash from (used) operating	16 875	12 659	14 269	55 260	25 550	25 550	25 550	23 890	19 204	22 582
Net cash from (used) investing	(13 186)	(20 562)	(13 008)	(59 374)	(18 967)	(18 967)	(18 967)	(20 610)	(20 266)	(21 858)
Net cash from (used) financing	(2 275)	(2 504)	(2 777)	1 096	(894)	(894)	(894)	(590)	90	71
<b>Cash/cash equivalents at the year end</b>	<b>10 640</b>	<b>233</b>	<b>(1 283)</b>	<b>506</b>	<b>4 407</b>	<b>4 407</b>	<b>4 407</b>	<b>1 706</b>	<b>734</b>	<b>1 529</b>
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	10 654	254	(1 257)	11 503	4 407	4 407	4 407	1 734	763	1 558
Application of cash and investments	(21 650)	(10 300)	(11 391)	(11 624)	(11 666)	(11 666)	(11 666)	(12 363)	(12 358)	(4 752)
<b>Balance - surplus (shortfall)</b>	<b>32 304</b>	<b>10 554</b>	<b>10 134</b>	<b>23 127</b>	<b>16 073</b>	<b>16 073</b>	<b>16 073</b>	<b>14 097</b>	<b>13 121</b>	<b>6 311</b>
<b>Asset management</b>										
Asset register summary (WDV)	975 957	931 972	883 952	935 454	935 454	935 454	937 575	937 575	940 067	943 807
Depreciation & asset impairment	69 275	65 214	61 386	9 248	9 248	9 248	7 337	7 337	10 173	16 775
Renewal of Existing Assets	5 437	9 253	362	11 386	6 331	6 331	6 331	6 747	7 792	8 888
Repairs and Maintenance	8 471	11 611	11 215	16 618	16 618	16 618	16 771	16 771	18 864	30 971
<b>Free services</b>										
Cost of Free Basic Services provided	-	-	-	-	-	-	7 858	7 858	9 255	15 270
Revenue cost of free services provided	-	-	-	8 589	8 589	8 589	11 712	11 712	10 951	17 365
<b>Households below minimum service level</b>										
Water	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	0	1	19	0	0	0	0	0	0	0
Energy:	0	1	1	1	1	1	1	1	1	1
Refuse:	-	-	-	-	-	-	-	-	-	-



**Table 51 MBRR Table SA2 – Matrix financial performance budget (revenue source/expenditure type and department)**

NC073 Emthazeni - Supporting Table SA2 Matrix Financial Performance Budget (revenue source/expenditure type and dept.)																
Description	Ref	EXECUTIVE AND COUNCIL	FINANCE AND ADMINISTRATION	PLANNING AND DEVELOPMENT	HEALTH	COMMUNITY AND SOCIAL SERVICES	PUBLIC SAFETY	SPORT AND RECREATION	ROAD TRANSPORT	OTHER	HOUSING SERVICES	WASTE MANAGEMENT	WASTE WATER MANAGEMENT	ELECTRICITY	WATER	Total
R thousand	1															
<b>Revenue By Source</b>																
Property rates		-	30 665	-	-	-	-	-	-	-	-	-	-	-	-	30 665
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue		-	-	-	-	-	-	-	-	-	-	-	-	56 203	-	56 203
Service charges - water revenue		-	-	-	-	-	-	-	-	-	-	-	-	-	25 864	25 864
Service charges - sanitation revenue		-	-	-	-	-	-	-	-	-	-	-	15 972	-	-	15 972
Service charges - refuse revenue		-	-	-	-	-	-	-	-	-	-	8 226	-	-	-	8 226
Service charges - other		-	6	-	-	72	-	-	-	-	40	-	-	-	-	118
Rental of facilities and equipment		521	-	-	-	226	-	34	4	-	-	-	-	-	-	786
Interest earned - external investments		-	806	-	-	-	-	-	-	-	-	-	-	-	-	806
Interest earned - outstanding debtors		-	143	-	-	-	-	-	-	-	1	93	218	247	251	964
Dividends received		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines		-	-	-	-	-	6 661	-	-	-	-	-	-	282	-	6 943
Licences and permits		-	-	-	-	-	1 322	-	1 186	-	-	-	-	-	-	2 508
Agency services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other revenue		148	107	-	-	483	8	83	16	-	-	-	-	32	26 267	27 195
Transfers recognised - operational		3 497	15 159	1 000	1 227	1 161	-	-	-	-	-	4 509	7 230	2 439	4 989	41 210
Gains on disposal of PPE		130	-	-	-	-	-	-	-	-	-	-	-	-	-	130
<b>Total Revenue (excluding capital transfers and contribution)</b>		<b>4 295</b>	<b>48 885</b>	<b>1 000</b>	<b>1 227</b>	<b>1 942</b>	<b>7 991</b>	<b>123</b>	<b>1 207</b>	<b>-</b>	<b>41</b>	<b>12 828</b>	<b>23 452</b>	<b>85 439</b>	<b>31 149</b>	<b>217 580</b>
<b>Expenditure By Type</b>																
Employee related costs		3 148	16 031	6 156	-	7 481	5 013	3 380	6 917	430	2 151	6 966	3 890	5 605	2 450	69 838
Remuneration of councillors		5 046	-	-	-	-	-	-	-	-	-	-	-	-	-	5 046
Depreciation & asset impairment		14	(162)	25	128	1 518	-	-	3 795	-	56	241	648	525	549	7 337
Finance charges		219	113	-	-	-	89	-	1 027	-	-	878	665	1 464	1 013	5 468
Bulk purchases		-	-	-	-	-	-	-	-	-	-	-	-	54 709	2 414	57 123
Other materials		234	1 539	2 525	-	684	717	504	1 556	61	35	765	4 415	2 367	1 368	16 771
Contracted services		-	4 331	49	-	-	3 613	-	-	-	-	-	-	1 852	-	9 848
Transfers and grants		540	950	1 000	-	1 181	-	-	-	-	-	-	-	-	-	3 651
Other expenditure		4 852	8 861	2 407	20	1 005	935	770	2 583	248	158	1 771	2 217	1 566	3 791	31 983
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>14 054</b>	<b>34 499</b>	<b>12 162</b>	<b>148</b>	<b>11 849</b>	<b>10 367</b>	<b>4 654</b>	<b>16 278</b>	<b>738</b>	<b>2 400</b>	<b>11 438</b>	<b>12 936</b>	<b>71 539</b>	<b>12 906</b>	<b>215 964</b>
<b>Surplus/(Deficit)</b>		<b>(9 759)</b>	<b>12 386</b>	<b>(11 162)</b>	<b>1 079</b>	<b>(9 907)</b>	<b>(2 376)</b>	<b>(4 530)</b>	<b>(15 072)</b>	<b>(738)</b>	<b>(2 359)</b>	<b>1 393</b>	<b>10 516</b>	<b>13 900</b>	<b>18 243</b>	<b>1 618</b>
Transfers recognised - capital		-	-	610	-	-	-	-	-	-	-	-	870	4 800	7 322	14 602
Contributions recognised - capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributed assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>(9 759)</b>	<b>12 386</b>	<b>(10 552)</b>	<b>1 079</b>	<b>(9 907)</b>	<b>(2 376)</b>	<b>(4 530)</b>	<b>(14 072)</b>	<b>(738)</b>	<b>(2 359)</b>	<b>1 393</b>	<b>11 305</b>	<b>18 700</b>	<b>25 565</b>	<b>16 210</b>

**Table 52 MBRR Table SA3 – Supporting detail to Statement of Financial Position**

NC073 Emthanjeni - Supporting Table SA3 Supporting detail to 'Budgeted Financial Position'											
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue &		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>											
<b>ASSETS</b>											
<b>Call investment deposits</b>											
Call deposits < 90 days					-	-	-	-	-	-	-
Other current investments > 90 days					9 070	2 789	2 789	2 789	10 075	9 739	9 343
<b>Total Call investment deposits</b>	2	-	-	-	9 070	2 789	2 789	2 789	10 075	9 739	9 343
<b>Consumer debtors</b>											
Consumer debtors		46 604	30 486	31 918	32 013	32 013	32 013	32 013	33 943	34 092	40 181
Less: Provision for debt impairment					(11 429)	(13 541)	(13 541)	(13 541)	(11 119)	(11 786)	(19 447)
<b>Total Consumer debtors</b>	2	46 604	30 486	31 918	20 584	18 472	18 472	18 472	22 824	22 305	20 734
<b>Debt impairment provision</b>											
Balance at the beginning of the year					-	2 112	2 112	2 112	-	-	-
Contributions to the provision					11 429	11 429	11 429	11 429	11 119	11 786	19 447
Bad debts written off		970 415	923 699	35 712	-	-	-	-	-	-	-
<b>Balance at end of year</b>		970 415	923 699	35 712	11 429	13 541	13 541	13 541	11 119	11 786	19 447
<b>Property, plant and equipment (PPE)</b>											
PPE at cost/valuation (excl. finance leases)		1 039 690	991 798	940 098	1 014 178	1 014 178	1 014 178	1 014 178	1 025 851	1 038 511	1 059 010
Leases recognised as PPE	3		-	-	-	-	-	-	-	-	-
Less: Accumulated depreciation		69 275	65 214	61 386	84 141	84 141	84 141	84 141	93 738	103 911	120 686
<b>Total Property, plant and equipment (PPE)</b>	2	970 415	926 584	878 712	930 037	930 037	930 037	930 037	932 114	934 601	938 325
<b>LIABILITIES</b>											
<b>Current liabilities - Borrowing</b>											
Short term loans (other than bank overdraft)					-	-	-	-	-	-	-
Current portion of long-term liabilities		2 485	2 758	2 478	3 003	3 003	3 003	3 003	688	-	-
<b>Total Current liabilities - Borrowing</b>		2 485	2 758	2 478	3 003	3 003	3 003	3 003	688	-	-
<b>Trade and other payables</b>											
Trade and other creditors		12 349	17 110	22 381	15 283	15 283	15 283	15 283	16 352	16 199	17 333
Unspent conditional transfers		12 120	7 095	3 761	1 470	-	-	-	-	-	-
VAT		4 211			-	-	-	-	-	-	-
<b>Total Trade and other payables</b>	2	28 680	24 205	26 142	16 752	15 283	15 283	15 283	16 352	16 199	17 333
<b>Non current liabilities - Borrowing</b>											
Borrowing	4	6 008	3 231	37 747	14 777	2 348	2 348	2 348	-	-	-
Finance leases (including PPP asset element)					-	-	-	-	-	-	-
<b>Total Non current liabilities - Borrowing</b>		6 008	3 231	37 747	14 777	2 348	2 348	2 348	-	-	-
<b>Provisions - non-current</b>											
Retirement benefits		46 259	49 680	16 451	52 661	52 661	52 661	52 661	26 321	28 427	29 005
List other major provision items											
Refuse landfill site rehabilitation		-	-	-	52	52	52	52	78	75	80
Other		-	-	-	-	8 410	8 410	8 410	9 672	9 235	9 459
<b>Total Provisions - non-current</b>		46 259	49 680	16 451	52 713	61 123	61 123	61 123	36 071	37 737	38 544
<b>CHANGES IN NET ASSETS</b>											
<b>Accumulated Surplus/(Deficit)</b>											
Accumulated Surplus/(Deficit) - opening balance		1 022 787	956 006	909 543	962 384	962 384	962 384	962 384	949 417	978 588	982 298
GRAP adjustments		-	-	-	-	-	-	-	-	-	-
Restated balance		1 022 787	956 006	909 543	962 384	962 384	962 384	962 384	949 417	978 588	982 298
Surplus/(Deficit)		(42 686)	(70 534)	(49 091)	47 366	5 031	5 031	5 031	16 218	2 244	24 625
Appropriations to Reserves		-	-	-	-	-	-	-	-	-	-
Transfers from Reserves		-	-	-	-	-	-	-	-	-	-
Depreciation offsets		-	-	-	9 248	9 248	9 248	9 248	7 337	10 173	16 775
Other adjustments		42 686	73 162	49 091	(65 863)	(27 247)	(27 247)	(27 247)	7 705	(8 207)	(39 684)
<b>Accumulated Surplus/(Deficit)</b>	1	1 022 787	958 633	909 543	953 136	949 417	949 417	949 417	980 677	982 798	984 014
<b>Reserves</b>											
<b>Total Reserves</b>	2	-	-	-	-	-	-	-	-	-	-
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	2	1 022 787	958 633	909 543	953 136	949 417	949 417	949 417	980 677	982 798	984 014

**Table 53 MBRR Table SA9 – Social, economic and demographic statistics and assumptions**

NC073 Emhlanjeni - Supporting Table SA9 Social, economic and demographic statistics and assumptions

Description of economic indicator	Basis of calculation	2001 Census	2007 Survey	2011 Census	2012/13	2013/14	2014/15	Current Year 2015/16 Original Budget	2016/17 Medium Term Revenue & Expenditure Framework		
					Outcome	Outcome	Outcome		Outcome	Outcome	Outcome
<b>Demographics</b>											
Population	Census count/estimate	36	36	42	44	44	44	44	44	44	44
Population females aged 5 – 14	Census count/estimate	6	6	7	7	7	7	7	7	7	7
Males aged 5 – 14	Census count/estimate	6	6	7	7	7	7	7	7	7	7
Females aged 15 – 34	Census count/estimate	8	8	8	8	8	8	8	8	8	8
Males aged 15 – 34	Census count/estimate	7	7	8	9	9	9	9	9	9	9
Unemployment	Census count/estimate	14	14	14	14	14	14	14	14	14	14
<b>Monthly household income (no. of households)</b>											
No income	Census count/estimate			924	924	924	924	924	905	900	900
R1 – R1 600	Census count/estimate			2 728	2 728	2 728	2 728	2 728	2 755	2 760	2 821
R1 601 – R3 200	Census count/estimate			2 350	2 350	2 350	2 350	2 350	2 374	2 380	2 402
R3 201 – R6 400	Census count/estimate			1 700	1 700	1 700	1 700	1 700	1 778	1 780	1 802
R6 401 – R12 800	Census count/estimate			1 264	1 264	1 264	1 264	1 264	1 277	1 280	1 350
R12 801 – R25 600	Census count/estimate			939	939	939	939	939	949	987	992
R25 601 – R51 200	Census count/estimate			368	368	368	368	368	371	380	390
R52 201 – R102 400	Census count/estimate			68	68	68	68	68	68	70	72
R102 401 – R204 800	Census count/estimate			32	32	32	32	32	32	34	37
R204 801 – R409 600	Census count/estimate			24	24	24	24	24	24	27	30
R409 601 – R819 200	Census count/estimate										
> R819 200	Census count/estimate										
<b>Poverty profiles (no. of households)</b>											
< R2 000 per household per month											
<b>Household/demographics (000)</b>											
Number of people in municipal area	Census count/estimate	38	38	42	42	42	42	42	43	43	45
Number of poor people in municipal area	Census count/estimate	3	3	3	3	3	3	3	4	4	4
Number of households in municipal area	Census count/estimate	13	13	13	13	13	13	13	13	13	14
Number of poor households in municipal area	Census count/estimate	2	2	3	3	3	3	3	3	3	4
Debt of poor household (R per month)	Census count/estimate			3	3	3	3	3	3	3	3
<b>Housing statistics</b>											
Formal											
Informal											
Total number of households											
Dwellings provided by municipality											
Dwellings provided by province/s											
Dwellings provided by private sector											
Total new housing dwellings											
<b>Economic</b>											
Inflation/inflation outlook (CPI-X)					0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest rate – borrowing					11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%
Interest rate – investment					7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Remuneration increases					8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%
Consumption growth (electricity)					0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Consumption growth (water)					40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
<b>Collection rates</b>											
Property tax/service charges					80.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Rental of facilities & equipment					95.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Interest – external investments					7.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Interest – debtors					0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Revenue from agency services					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

## 2.14 Municipal Manager Quality Certificate

I Isak Visser, municipal manager of Emthanjeni Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name Isak Visser

Municipal manager of Emthanjeni Municipality (NC073)

Signature Isak Visser

Date 14.6.2016